ELIAS MOTSOALEDI LOCAL MUNICIPALITY

(Registration number LIM 472)

Annual Financial Statements
for the year ended 30 June 2014

Office of the Auditor General (Polokwane) - Auditors
Published 31 January 2015

General Information

Legal form of entity	Municipality (MFMA)
Mayor	Cllr WM Matemane (Resigned from position on 30 June 2014)
Chief Whip	Cllr TM Phahlamohlaka (Chief Whip)
Speaker	Cllr EM Masemola (Speaker) (Resigned from position 2 July 2014)
Councillors	
	Cllr MF Madihlaba (Resigned from Exco position 2 July 2014)
	Cllr AB Mahlangu (Resigned from Exco position 2 July 2014)
	Cllr TS Mahlangu (Resigned from Exco position 2 July 2014)
	Cllr DS Mamaila (Resigned from Exco position 2 July 2014)
	Cllr MK Tshoshane (Resigned from Exco position 2 July 2014)
	Cllr MP Mokgabudi (Resigned from Exco position 2 July 2014)
	Cllr CD Matsepe (Resigned 31 May 2014)
	Cllr RSA Kabinie
	Cllr J Mahlangu
	Cllr MD Mahlangu
	Cllr NN Mahlangu
	Cllr JP Kotze
	Cllr KS Mahlase
	Cllr MW Ramphisa
	Cllr MN Malatji
	Cllr MS Malekane
	Cllr AM Maloba
	Cllr MM Maepa
	Cllr MS Marapi
	Cllr MS Maselela
	Cllr R Alberts
	Cllr HS Mashifane
	Cllr MS Mashilo
	Clr MP Mokone
	Cllr SM Mathale
	Cllr JL Mathebe
	Cllr MZ Buta
	Cllr GD Matjomane
	Cllr MS Matlala
	Cllr TJ Lepota
	Cllr TS Matsepe
	Cllr MP Matshipa
	Cllr ST Matsomane
	Cllr Sh Mehlape
	Cllr CT Mhlanga
	Cllr I Mkhaliphi
	Cllr TN Mmutle
	Cllr VV Moganedi
	Cllr FM Mogotji
	Cllr JM Mohlala
	Cllr MF Rakoena
	Cllr MT Mokganyetji
	Cllr OE Motau

General Information

	Cllr MG Motlafe Cllr DM Mzinyane Cllr ME Nduli Cllr SF Nkosi Cllr TJ Ntuli Cllr ML Phala Cllr A Phatlane Cllr RJ Podile Cllr JJ Skosana Cllr SL Skosana Cllr MS Tshoma Cllr MD Tladi Cllr LH Tshoma Cllr MW Pitje Cllr MM Maepa
Grading of local authority	Meduim Capacity Municipality
Accounting Officer	Mr NW Phala (Acting from 24 February 2014 until 25 August 2014) Mrs RM Maredi (Acting from 25 Aug 2014)
Chief Finance Officer (CFO)	Mr MS Monageng
Business address	Civic Centre Groblersdal 0470
Postal address	PO Box 48 Groblersdal 0470
Bankers	ABSA Bank Limited
Auditors	Office of the Auditor General (Polokwane)
Attorneys	Moduka attorneys Khumalo Masondo attorneys L Mbanjwa incorporated Mphela and associates attorneys Kgatla incorporated M Wentzel Makhubela attorneys Mohube Setsoalo Mabusela inc

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

Abbreviations

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

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act no. 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 she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government’s determination in accordance with this Act.

The annual financial statements set out on pages 7 to 83, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on its behalf by:

Mrs RM Maredi (Acting)
Municipal Manager (Acting from 25 August 2014)

31 August 2014

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2014.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 ordinary and 6 special meetings were held.

Name of member	Number of meetings attended
Adv. SST Kholong (Chairperson)	10
Mr. LAT Gafane (From 1 July 2012)	10
Mr. MG Mathabathe (From 1 Aug 2013)	7
Adv. R Nke (From 1 July 2012)	6
Mr. B Mbange (From 1 Aug 2013)	8

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is not allways fully effective, efficient and transparent. In line with the MFMA requirements, Internal Audit provides the audit committee and management with reasonable assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was not allways fully efficient and effective.

The content and the quality of the yearly management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act have been verified by the audit committee.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the unaudited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

Subject to Management effecting the recomendations made by the Audit Committee during the review of the 2013/2014 draft financial statements, the Committee accepts the Annual Financial Statements.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit and risk management committee

The municipality has an internal audit division on the organisational structure and a chief internal auditor was appointed during the year. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA) . Unfortunately the position became vacant recently and has been advertised but not yet filled. A seperate risk management unit was established as required and manages the risk profile of the municipality. The various risks are addressed as part of the notes to the financial statements as well as operational and environmental risks on a management level by the risk management committe.

Audit Committee Report

Auditor-General of South Africa

The audit committee has not met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee Adv. SST Kholong

Date: ______________________

Accounting Officer's Report

The accounting officer submits her report for the year ended 30 June 2014.

1. Review of activities

Main business and operations

Net surplus of the municipality was R 23 766 146 (2013: deficit R 60 275 870).

The municipality performed the debtor administration of water and sanitation services on an agency basis in term of a service level agreement. The original period of the water and sanitation services contract expired on 30 June 2013. The Sekhukhune District Municipality has extended the current contract until 30 June 2014. This change is not expected to have a major effect on the financial position and performance of the municipality for the period under review or future financial periods. It is reported that the transfer was completed as planned on 30 June 2014.

2. 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 municipality for the financial period under review started experiencing cashflow problems due to commitments on prior year capital projects not funded and under collection of consumer debtors. The accounting officer is satisfied that the situation was managed and did not impact on the going concern of the municipality and its continued operations.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial.

4. Accounting Officer's interest in contracts

The accounting officers' declare not to have any interest in contracts of the Municipality.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year is set out in the notes to the financial statements.

7. Accounting Officer

The accounting officers of the municipality during the financial year and to the date of this report are as follows:

Name	Nationality	Changes
Mrs MM Skosana	South African	Resigned 31 January 2014
Mr NW Phala (Acting)	South African	Appointed 24 February 2014, resigned 25 August 2014
Mrs RM Maredi (Acting)	South African	Appointed 25 August 2014

8. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Accounting Officer's Report

Councillors

The councillors:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
  - Mayor
  - Speaker
  - Executive committee councillors, and
  - Councillors.

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and mayor performs their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit committee

Adv. SST Kholong was the chairperson of the audit committee. The committee met during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that municipalities should appoint further members of the municipality's audit committees who are not councillors of the municipal entity onto the audit committee.

Internal audit

The municipality employed an internal auditor for the year under review. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

9. Bankers

The municipality banks primarily with ABSA Bank Limited.

10. Auditors

The Office of the Auditor General (Polokwane) will continue in office for the next financial period.

Statement of Financial Position

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	12	2 287 835	1 909 188
Receivables from exchange transactions	13	16 856 667	17 221 148
Receivables from non-exchange transactions	14	2 628 317	2 295 103
VAT receivable	15	13 368 736	10 115 546
Consumer debtors - From Exchange Transactions	16	7 077 777	6 334 668
Consumer debtors - From Non Exchange Transactions	16&47	13 151 429	11 715 156
Cash and cash equivalents	17	35 246 865	15 334 288
		90 617 626	**64 925 097**
Non-Current Assets			
Biological assets - Game Animals	4	-	11 643
Investment property	5	85 382 000	80 617 000
Property Plant and Equipment	6	694 406 600	675 526 176
Heritage Assets	7	310 918	322 263
Intangible assets	8	22 674 253	22 674 253
Deposit (Security held in advance)	8&10&47	10 081 452	9 549 926
Longterm lease Debtor	11	643 565	342 027
		813 498 788	**789 043 288**
Total Assets		**904 116 414**	**853 968 385**
Liabilities			
Current Liabilities			
Landfill Site Provision	20	34 991 207	31 145 563
Payables from exchange transactions	21	33 255 348	28 315 554
Consumer deposits	22&47	3 170 578	3 175 796
Employee benefit obligation	9	1 040 741	913 464
Unspent conditional grants and receipts	19	9 661 856	786 035
Provision for long service leave bonus	20	58 276	230 108
		82 178 006	**64 566 520**
Non-Current Liabilities			
Other financial liabilities	18	5 280 000	-
Employee benefit obligation	9	27 127 599	24 003 769
Provision for long service leave bonus	20	2 285 766	1 919 210
		34 693 365	**25 922 979**
Total Liabilities		**116 871 371**	**90 489 499**
Net Assets		**787 245 043**	**763 478 886**
Net Assets			
Accumulated surplus		787 245 043	763 478 886

* See Note 2 & 47

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Revenue from exchange transactions			
Service charges	25	56 620 595	54 468 633
Rental of facilities and equipment	23	1 124 655	879 606
Income from agency services	23	2 623 479	3 187 088
Licences and permits	23	4 699 395	5 248 726
Other income	27	2 209 865	3 552 209
Interest received	34	8 822 877	5 089 585
Total revenue from exchange transactions		**76 100 866**	**72 425 847**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	20 449 606	21 235 856
Transfer revenue			
Government grants & subsidies	26	191 600 631	168 079 000
Fines	27	1 666 250	2 774 950
Total revenue from non-exchange transactions		**213 716 487**	**192 089 806**
Total revenue	23	**289 817 353**	**264 515 653**
Expenditure			
Personnel	30	(87 145 981)	(73 727 618)
Remuneration of councillors	31	(16 036 758)	(14 701 116)
Administration	32	(22 360)	(540 706)
Depreciation and amortisation	35	(32 828 403)	(33 975 376)
Impairment loss/ Reversal of impairments		1 250 000	(10 276 900)
Finance costs	37	-	(1 405)
Debt impairment	33	(10 244 663)	(5 089 694)
Repairs and maintenance		(11 952 348)	(5 637 549)
Bulk purchases	41	(48 014 426)	(46 120 194)
Grants and subsidies paid	40	(2 287 145)	(2 608 593)
Loss on valuation of biological, other and heritage assets	36	(53 999)	(598 341)
General Expenses	28	(59 338 695)	(38 786 802)
Total expenditure		**(266 674 778)**	**(232 064 294)**
Operating surplus	29	**23 142 575**	**32 451 359**
Additional service cost landfill transfer from Sekhukhune District Municipality		(3 183 094)	(26 783 202)
Fair value adjustments		(958 335)	1 105 973
Income from equity accounted investments		4 765 000	2 238 000
Loss on non-current assets held for sale or disposal groups		-	(69 288 000)
		623 571	**(92 727 229)**
Surplus (deficit) for the year		**23 766 146**	**(60 275 870)**

* See Note 2 & 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	820 479 983	820 479 983
Adjustments		
Correction of errors - Rental Income and Fine revenue	1 999 231	1 999 231
Prior year adjustment - Guarantees	109 403	109 403
Prior year adjustments - Escom Deposits	1 166 139	1 166 139
Balance at 01 July 2012 as restated	**823 754 756**	**823 754 756**
Changes in net assets		
Surplus for the year	(60 275 870)	(60 275 870)
Total changes	(60 275 870)	(60 275 870)
Opening balance as previously reported	756 268 577	756 268 577
Adjustments		
Correction of errors - Debtor Billing Retrospective Rental and Rates and fines	5 934 778	5 934 778
Prior year adjustment - Guarantees	109 403	109 403
Prior year adjustments - Escom Deposit	1 166 139	1 166 139
Balance at 01 July 2013 as restated	**763 478 897**	**763 478 897**
Changes in net assets		
Surplus for the year	23 766 146	23 766 146
Total changes	23 766 146	23 766 146
Balance at 30 June 2014	**787 245 043**	**787 245 043**
Note - prior period errors	47	

* See Note 2 & 47

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Fines		1 666 250	2 774 950
Sale of goods and services		79 693 680	78 891 577
Grants		191 600 631	168 079 000
Interest income		8 822 877	5 089 585
Other receipts		3 334 520	4 431 815
Licences and Permits	43	4 699 395	5 248 726
		289 817 353	264 515 653
Payments			
Employee costs		(103 182 739)	(88 428 734)
Suppliers		(119 720 804)	(113 452 700)
Other payments		-	(1 405)
Non Cash adjustments prior year error	43	-	(4 284 936)
		(222 903 543)	(206 167 775)
Net cash flows from operating activities	42	**66 913 810**	**58 347 878**
Cash flows from investing activities			
Purchase of property plant and equipment	6	(50 489 838)	(51 029 802)
Proceeds from sale of biological assets	4	-	9 071
Deposit (security held in advance)		(531 526)	(450 369)
Purchase of longterm lease debtor		(301 538)	(124 255)
Net cash flows from investing activities		**(51 322 902)**	**(51 595 355)**
Cash flows from financing activities			
Repayment of other financial liabilities		4 321 665	1 105 974
Net cash flows from financing activities		**4 321 665**	**1 105 974**
Net increase/(decrease) in cash and cash equivalents		**19 912 573**	**7 858 497**
Cash and cash equivalents at the beginning of the year		15 334 288	7 475 792
Cash and cash equivalents at the end of the year	17	**35 246 861**	**15 334 289**

* See Note 2 & 47

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	54 205 000	5 000	**54 210 000**	56 620 595	**2 410 595**	
Rental of facilities and equipment	705 000	70 000	**775 000**	1 124 655	**349 655**	
Income from agency services	7 201 000	-	**7 201 000**	2 623 479	**(4 577 521)**	
Licences and permits	5 500 000	-	**5 500 000**	4 699 395	**(800 605)**	
Other income 1	9 863 600	(6 690 000)	**3 173 600**	2 209 865	**(963 735)**	
Interest received - investment	4 450 000	3 700 000	**8 150 000**	8 822 877	**672 877**	
Total revenue from exchange transactions	**81 924 600**	**(2 915 000)**	**79 009 600**	**76 100 866**	**(2 908 734)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	34 000 000	(10 275 000)	**23 725 000**	20 449 606	**(3 275 394)**	
Government grants & subsidies	200 474 000	-	**200 474 000**	191 600 631	**(8 873 369)**	
Transfer revenue						
Fines	1 200 000	(532 420)	**667 580**	1 666 250	**998 670**	
Total revenue from non-exchange transactions	**235 674 000**	**(10 807 420)**	**224 866 580**	**213 716 487**	**(11 150 093)**	
Total revenue	**317 598 600**	**(13 722 420)**	**303 876 180**	**289 817 353**	**(14 058 827)**	
Expenditure						
Personnel	(103 722 523)	549 482	**(103 173 041)**	(87 145 981)	**16 027 060**	
Remuneration of councillors	(15 057 871)	1	**(15 057 870)**	(16 036 758)	**(978 888)**	
Administration	(500 000)	500 000	**-**	(22 360)	**(22 360)**	
Depreciation and amortisation	(32 000 000)	-	**(32 000 000)**	(32 828 403)	**(828 403)**	
Impairment loss/ Reversal of impairments	-	-	**-**	1 250 000	**1 250 000**	
Debt impairment	(1 890 000)	-	**(1 890 000)**	(10 244 663)	**(8 354 663)**	
Repairs and maintenance	(11 012 636)	(2 670 286)	**(13 682 922)**	(11 952 348)	**1 730 574**	
Bulk purchases	(58 037 271)	2 060 000	**(55 977 271)**	(48 014 426)	**7 962 845**	
Grants and subsidies paid	(3 066 000)	75 000	**(2 991 000)**	(2 287 145)	**703 855**	
General Expenses	(65 781 299)	(1 079 782)	**(66 861 081)**	(59 338 695)	**7 522 386**	
Total expenditure	**(291 067 600)**	**(565 585)**	**(291 633 185)**	**(266 620 779)**	**25 012 406**	
Operating surplus	**26 531 000**	**(14 288 005)**	**12 242 995**	**23 196 574**	**10 953 579**	
Loss on disposal of assets and liabilities	-	-	**-**	(53 999)	**(53 999)**	
Loss on foreign exchange	-	-	**-**	(3 183 094)	**(3 183 094)**	
Fair value adjustments	(400 000)	-	**(400 000)**	(958 335)	**(558 335)**	
Income from equity accounted investments (Filtered	-	-	**-**	4 765 000	**4 765 000**	
	(400 000)	**-**	**(400 000)**	**569 572**	**969 572**	
Surplus before taxation	**26 131 000**	**(14 288 005)**	**11 842 995**	**23 766 146**	**11 923 151**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**26 131 000**	**(14 288 005)**	**11 842 995**	**23 766 146**	**11 923 151**	
Reconciliation						

ELIAS MOTSOALEDI LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	2 287 835	**2 287 835**	
Receivables from exchange transactions	-	-	-	16 856 667	**16 856 667**	
Receivables from non-exchange transactions	-	-	-	2 628 317	**2 628 317**	
VAT receivable	-	-	-	13 368 736	**13 368 736**	
Consumer debtors	-	-	-	20 229 215	**20 229 215**	
Cash and cash equivalents	-	-	-	35 246 865	**35 246 865**	
	-	**-**	**-**	**90 617 635**	**90 617 635**	
Non-Current Assets						
Investment property	-	-	-	85 382 000	**85 382 000**	
Property Plant and Equipment	59 996 000	11 846 000	**71 842 000**	694 406 600	**622 564 600**	
Heritage Assets	-	-	-	310 918	**310 918**	
Intangible assets	-	-	-	22 674 253	**22 674 253**	
Deposit (Security held in advance)	-	-	-	10 081 452	**10 081 452**	
Longterm lease Debtor	-	-	-	643 565	**643 565**	
	59 996 000	**11 846 000**	**71 842 000**	**813 498 788**	**741 656 788**	
Total Assets	**59 996 000**	**11 846 000**	**71 842 000**	**904 116 423**	**832 274 423**	
Liabilities						
Current Liabilities						
Operating lease liability	-	-	-	34 991 207	**34 991 207**	
Payables from exchange transactions	-	-	-	33 255 348	**33 255 348**	
Consumer deposits	-	-	-	3 170 578	**3 170 578**	
Employee benefit obligation	-	-	-	1 040 741	**1 040 741**	
Unspent conditional grants and receipts	-	-	-	9 661 856	**9 661 856**	
Provision for long service leave bonus	-	-	-	58 276	**58 276**	
	-	**-**	**-**	**82 178 006**	**82 178 006**	
Non-Current Liabilities						
Other financial liabilities	-	-	-	5 280 000	**5 280 000**	
Employee benefit obligation	-	-	-	27 127 599	**27 127 599**	
Provision for long service leave bonus	-	-	-	2 285 766	**2 285 766**	
	-	**-**	**-**	**34 693 365**	**34 693 365**	
Total Liabilities	**-**	**-**	**-**	**116 871 371**	**116 871 371**	
Net Assets	**59 996 000**	**11 846 000**	**71 842 000**	**787 245 052**	**715 403 052**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	59 996 000	11 846 000	**71 842 000**	787 245 050	**715 403 050**	
	59 996 000	**11 846 000**	**71 842 000**	**787 245 050**	**715 403 050**	
Rounding difference	-	-	**-**	2	**2**	
Total Net Assets	**59 996 000**	**11 846 000**	**71 842 000**	**787 245 052**	**715 403 052**	

Appropriation Statement

Figures in Rand

	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
2014											
Financial Performance											
Property rates	34 000 000	(10 275 000)	23 725 000	-		23 725 000	20 449 606		(3 275 394)	86 %	60 %
Service charges	54 205 000	5 000	54 210 000	-		54 210 000	56 620 595		2 410 595	104 %	104 %
Investment revenue	4 450 000	3 700 000	8 150 000	-		8 150 000	8 822 877		672 877	108 %	198 %
Transfers recognised - operational	156 878 000	-	156 878 000	-		156 878 000	152 890 401		(3 987 599)	97 %	97 %
Other own revenue	24 469 600	(7 152 420)	17 317 180	-		17 317 180	12 323 644		(4 993 536)	71 %	50 %
Total revenue (excluding capital transfers and contributions)	**274 002 600**	**(13 722 420)**	**260 280 180**	**-**		**260 280 180**	**251 107 123**		**(9 173 057)**	**96 %**	**92 %**
Employee costs	(103 722 523)	549 482	(103 173 041)	-	-	(103 173 041)	(87 145 981)	-	16 027 060	84 %	84 %
Remuneration of councillors	(15 057 871)	1	(15 057 870)	-	-	(15 057 870)	(16 036 758)	-	(978 888)	107 %	107 %
Debt impairment	(1 890 000)	-	(1 890 000)			(1 890 000)	(10 244 663)	-	(8 354 663)	542 %	542 %
Depreciation and asset impairment	(32 000 000)	-	(32 000 000)			(32 000 000)	(31 578 403)	-	421 597	99 %	99 %
Materials and bulk purchases	(58 037 271)	2 060 000	(55 977 271)	-	-	(55 977 271)	(48 014 426)	-	7 962 845	86 %	83 %
Transfers and grants	(3 066 000)	75 000	(2 991 000)	-	-	(2 991 000)	(2 287 145)	-	703 855	76 %	75 %
Other expenditure	(77 693 935)	(3 764 265)	(81 458 200)	-	-	(81 458 200)	(75 508 831)	-	5 949 369	93 %	97 %
Total expenditure	**(291 467 600)**	**(1 079 782)**	**(292 547 382)**	**-**	**-**	**(292 547 382)**	**(270 816 207)**	**-**	**21 731 175**	**93 %**	**93 %**
Surplus/(Deficit)	**(17 465 000)**	**(14 802 202)**	**(32 267 202)**	**-**		**(32 267 202)**	**(19 709 084)**		**12 558 118**	**61 %**	**113 %**

Appropriation Statement

Figures in Rand

	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
Transfers recognised - capital	43 596 000	-	43 596 000	-		43 596 000	38 710 230		(4 885 770)	89 %	89 %
Surplus (Deficit) after capital transfers and contributions	**26 131 000**	**(14 802 202)**	**11 328 798**	**-**		**11 328 798**	**19 001 146**		**7 672 348**	**168 %**	**73 %**
Share of surplus (deficit) of associate	-	-	-	-		-	(4 765 000)		(4 765 000)	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**26 131 000**	**(14 802 202)**	**11 328 798**	**-**		**11 328 798**	**23 766 146**		**12 437 348**	**210 %**	**91 %**
Capital expenditure and funds sources											
Total capital expenditure	59 996 000	11 846 000	71 842 000	-		71 842 000	-		(71 842 000)	- %	- %
Cash flows											
Net cash from (used) operating	-	-	-	-		-	66 913 810		66 913 810	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(51 322 902)		(51 322 902)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	4 321 665		4 321 665	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**-**	**-**	**-**	**-**		**-**	**19 912 573**		**19 912 573**	**DIV/0 %**	**DIV/0 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	15 334 288		15 334 288	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**-**	**-**	**-**	**-**		**-**	**35 246 861**		**(35 246 861)**	**DIV/0 %**	**DIV/0 %**

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, which have been consistently applied, are disclosed below.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

1.2 Transfer of functions between entities not under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality’s objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality‘s objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Accounting Policies

1.2 Transfer of functions between entities not under common control (continued)

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Assets acquired [transferred] and liabilities assumed [relinquished]

The derecognition of assets and liabilities, is subject to the following conditions:

The assets transferred and the liabilities relinquished are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the municipality and the acquirer have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration received and the assets transferred and liabilities relinquished in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:
- the reasons for the transaction
- the timing of the transaction

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

On the transfer date, the municipality measured these assets and liabilities in accordance with applicable Standards of GRAP. The liability for payment by the acquirer was recognised as a debtor. The net asset value is indicated in the financial statements after the assets were transferred in the current year on a donation basis

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in surplus or deficit.

1.3 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 / Held to maturity investments and/or loans and receivables

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

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

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock 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.

Fair value estimation

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

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

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

Impairment testing

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

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. .

1.3 Significant judgements and sources of estimation uncertainty (continued)

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 20 - Provisions.

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. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

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

Allowance for doubtful debts

On debtors 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 debtors carrying amount and the present value of estimated future cash flows.

Provision for landfill sites

The provision for rehabilitation site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the related asset are charged to the Statement of Financial Performance. .

Provision of rehabilitation of landfill site is determined by :

- Calcuating the cost of rehabilitation of landfill sites and assessing the useful life of each land fill site as done by an Actuary/Specialist
- The effect of time value of money is calculated using interest rates (investment rate) inked to the prime rate.

1.4 Investment property

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

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, 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.

1.4 Investment property (continued)

Fair value

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

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

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.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be measurable when construction is complete. It measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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

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

1.5 Property Plant and Equipment

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

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

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

Property Plant and Equipment is initially measured at cost.

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

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

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

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

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

1.5 Property Plant and Equipment (continued)

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

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

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

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

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

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

Property Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

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

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

Item	**Average useful life**
Land	Indefinite
Buildings	30 years
Plant and machinery	5 - 15 years
Furniture and fixtures	7 - 10 years
Motor vehicles	3 -20 years
Office equipment	3 - 5 years
IT equipment	3 - 6 years
Computer software	3 - 5 years
Infrastructure	5 - 30 years
Other property, plant and equipment	5 - 30 years
Other equipment	5- 25 years
Specialised vehicles	10 years
Tools and loose gear	5 years

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

Accounting Policies

1.5 Property Plant and Equipment (continued)

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

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 on the straight line basis in surplus or deficit unless it is included in the carrying amount of another asset.

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

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

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

1.6 Intangible assets

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

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.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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.

Item	Useful life
Electricity connection availability right	indefinite

1.6 Intangible assets (continued)

Intangible assets are not amortised as the asset has an infinite lifespan. No evidence existed on year end that the asset was impaired in any way.

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

1.7 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Accounting Policies

1.7 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.8 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 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 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 uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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

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

Accounting Policies

1.8 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

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

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

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

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Accounting Policies

1.8 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity 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
Invetment Property	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
VAT	Financial asset measured at amortised cost
Sundry debtors	Financial asset measured at amortised cost

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

Class	Category
Trade Payables	Financial liability measured at amortised cost
Accruals	Financial liability measured at amortised cost

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

Class	Category
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.8 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

Accounting Policies

1.8 Financial instruments (continued)

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.

Financial assets measured at cost:

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

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

1.8 Financial instruments (continued)

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.9 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

1.9 Leases (continued)

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

Operating leases - lessee

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

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

Identification

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

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.11 Impairment of cash-generating assets (continued)

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).

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

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

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

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

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

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

- Buildings (Public buildings)
- Infrastructure (Roads)
- Stormwater

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.

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

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

Value in use

Value in use of an asset is the present value of the asset’s remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Accounting Policies

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

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.

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

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

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

Reversal of an impairment loss

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

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.

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

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.

1.13 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

1.13 Employee benefits (continued)

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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 expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Short-term employee benefits include items such as:

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

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

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

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

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

1.13 Employee benefits (continued)

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one 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

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.13 Employee benefits (continued)

Other post retirement obligations

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

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

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

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

1.14 Provisions and Contingent Liabilities

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

1.14 Provisions and Contingent Liabilities (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

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.

1.14 Provisions and Contingent Liabilities (continued)

- if the adjustment results in an addition to the cost of an asset, the entity consider 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 entity test 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 1.11 and 1.12.

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.

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

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.

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.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

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

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

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

1.16 Revenue from non-exchange transactions

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

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

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

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.

1.16 Revenue from non-exchange transactions (continued)

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.

Measurement

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

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

Rates, including collection charges and penalties interest

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
- there has been compliance with the relevant legal requirements.

Transfers

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

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

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

Fines

Revenue from issuing of fines 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.

  The municipality has two types of fines; spot fines and summonses.There is uncertainty regarding the probability of the flow of economic benefits or services potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fines is enforceable.
  In respect of summonses the public prosecutor can decide whether to waive or to fine, reduce it or prosecute for non-payment by offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts, collected. Where a reliable estimate cannot be made from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;

1.16 Revenue from non-exchange transactions (continued)

- Internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers.

Government grants

Government grants are recognised as revenue 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 any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised on receipt probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period., such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

Commitments

If the municipality enters into any significant contractual commitments that will result in the outflow of financial sources after the balance sheet date, it must be disclosed in the notes to the annual financial statements as a non-adjusting event.

Commitments include:

· Capital commitments (to acquire PPE and intangible assets)

· Lease commitments

· Other financial commitments

The value of the planned outflow of financial resources shall be disclosed per category of commitments

Property rates - revenue

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

Other grants and donations

Other grants and donations are recognised as revenue when:

> it is probably 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 any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. if conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Revenue from non-exchange transactions (continued)

>to the extent that there has been compliance with any restrictions associated with the grant.

1.17 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.18 Investment income

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

1.19 Borrowing costs

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

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

1.20 Comparative figures

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

1.21 Unauthorised expenditure

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

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

1.22 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.

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

Accounting Policies

1.23 Irregular expenditure (continued)

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

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

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

1.24 Use of estimates

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

1.25 Investments

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

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the Statement of Financial Performance in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Statement of Financial Performance as they arise.

1.26 Conditional grants and receipts

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

1.27 Budget information

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

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

Accounting Policies

1.27 Budget information (continued)

The annual financial statements and the budget are not compiled on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

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

The annual financial statements and the budget are not compiled on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note .

Comparative information is not required.

1.28 Related parties

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

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

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

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

1.29 Consumer Deposits

Consumer Deposits represents funds received by the municipality as security for payment of consumer accounts. The amount represent the actual cash received and can either be paid back or set off against an consumer account. The gross un-utilised deposit amount is indicated. No interest is paid to the consumers on the deposits held by the municipality.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 24 - Budget information

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2013	None

3.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107: Mergers	01 April 2014	None

3.3 Standards and interpretations not yet effective or relevant

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IPSAS 20: Related Party Disclosure	01 April 2009	Limited changes
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	None
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	None
• IGRAP16: Intangible assets website costs	01 April 2013	Limited changes

4. Biological assets - Game Animals

	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Biological assets - Game Animals	-	-	-	11 643	-	11 643

Reconciliation of biological assets - 2014

Figures in Rand	2014	2013

4. Biological assets - Game Animals (continued)

	Opening balance	Other changes, movements - natural losses	Total
Biological assets - Game Animals	11 643	(11 643)	-

Reconciliation of biological assets - game animals - 2013

	Opening balance	Decreases due to harvest / sales	Total
Biological assets - Game Animals	94 000	(82 357)	11 643

Non - Financial information

Quantities of each biological asset

	2014	2013
Impala	-	10

Methods and assumptions used in determining fair value

A game count was performed by the auctioneer during the prior financial year. A specialist was appointed for the current period and no game animals were found on the farm. During the year a large portion of the land was burned and it is not cost effective to implement more control over the farm. It is expected that the future use of the farm will change to be part of the operating properties of the municipality.

5. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	85 382 000	-	85 382 000	80 617 000	-	80 617 000

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	80 617 000	4 765 000	85 382 000

Reconciliation of investment property - 2013

	Opening balance	Disposals	Transfers	Other changes, movements	Fair value adjustments	Total
Investment property	147 867 000	(69 288 000)	(200 000)	(3 192 000)	5 430 000	80 617 000

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.

Details of valuation

The effective date of the annual revaluation was 30 June 2014. Revaluations were performed by an independent valuer, Mr Nel a qualified and registered property valuer, of Uniqeco (Pty) Ltd. Uniqueco is not connected to the municipality and have recent experience in location and category of the investment property being valued.

Amounts recognised in surplus and deficit for the year.

Notes to the Annual Financial Statements

Figures in Rand

6. Property Plant and Equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	183 051 381	(9 026 900)	174 024 481	183 051 381	(10 276 900)	172 774 481
Buildings	53 313 115	(17 076 851)	36 236 264	53 267 147	(14 251 045)	39 016 102
Infrastructure	506 597 313	(130 613 977)	375 983 336	471 856 445	(112 877 231)	358 979 214
Community	54 992 861	(12 671 352)	42 321 509	54 997 355	(10 639 102)	44 358 253
Other property, plant and equipment	137 080 624	(102 504 642)	34 575 982	134 570 472	(92 755 301)	41 815 171
Capital Work in Progress	30 898 704	-	30 898 704	18 190 465	-	18 190 465
Leased Assets	392 490	(26 166)	366 324	392 490	-	392 490
Total	**966 326 488**	**(271 919 888)**	**694 406 600**	**916 325 755**	**(240 799 579)**	**675 526 176**

Reconciliation of property plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation Adjustments	Depreciation	Impairment loss	Total
Land	172 774 481	-	-	-	-	-	1 250 000	174 024 481
Buildings	39 016 102	51 600	(5 633)	-	3 930	(2 829 735)	-	36 236 264
Infrastructure	358 979 214	18 398 710	(133 816)	16 475 974	124 514	(17 861 260)	-	375 983 336
Community	44 358 253	-	(4 493)	-	2 360	(2 034 611)	-	42 321 509
Other property, plant and equipment	41 815 171	2 855 315	(345 163)	-	327 290	(10 076 631)	-	34 575 982
Capital Work in Progress	18 190 465	29 184 213	-	(16 475 974)	-	-	-	30 898 704
Leased Assets	392 490	-	-	-	-	(26 166)	-	366 324
	675 526 176	**50 489 838**	**(489 105)**	**-**	**458 094**	**(32 828 403)**	**1 250 000**	**694 406 600**

Notes to the Annual Financial Statements

Figures in Rand

6. Property Plant and Equipment (continued)

Reconciliation of property plant and equipment - 2013

	Opening balance	Additions	Additions through entity combinations	Disposals	Transfers	Depreciation Adjustments	Depreciation	Impairment loss	Total
Land	183 051 381	-	-	-	-	-	-	(10 276 900)	172 774 481
Buildings	41 705 144	170 413	-	-	-	-	(2 859 455)	-	39 016 102
Infrastructure	281 258 745	30 385 381	4 019 335	-	59 324 496	-	(16 008 743)	-	358 979 214
Community	46 158 847	480 598	-	-	-	-	(2 281 192)	-	44 358 253
Other property, plant and equipment	53 755 755	1 410 457	-	(1 649 572)	-	1 124 517	(12 825 986)	-	41 815 171
Capital Work in Progress	59 324 497	18 190 464	-	-	(59 324 496)	-	-	-	18 190 465
Leased assets	-	392 490	-	-	-	-	-	-	392 490
	665 254 369	**51 029 803**	**4 019 335**	**(1 649 572)**	**-**	**1 124 517**	**(33 975 376)**	**(10 276 900)**	**675 526 176**

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.

7. Heritage Assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Heritage Assets	310 918	-	310 918	322 263	-	322 263

Reconciliation of heritage assets - 2014

	Opening balance	Valuation costs	Total
Heritage Assets	322 263	(11 345)	310 918

Reconciliation of heritage assets - 2013

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

7. Heritage Assets (continued)

	Opening balance	Other changes	Total
Heritage Assets	298 263	24 000	322 263

8. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Intangible assets under development	22 674 253	-	22 674 253	22 674 253	-	22 674 253

Reconciliation of intangible assets - 2014

	Opening balance	Total
Intangible assets	22 674 253	22 674 253

Reconciliation of intangible assets - 2013

	Opening balance	Total
Intangible assets	22 674 253	22 674 253

9. Employee benefit obligations

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

	2014	2013
Carrying value		
Present value of the Post Employment Medical Health Care obligation	(24 917 233)	(24 001 186)
Net actuarial gains or losses recognised	(881 762)	1 388 746
Current Service Cost	(1 169 891)	(1 243 328)
Interest Charge	(2 112 918)	(1 855 803)
Benefits Paid Out Against the fund	913 464	794 338
Net liability	**(28 168 340)**	**(24 917 233)**
Non-current liabilities	(27 127 599)	(24 003 769)
Current liabilities	(1 040 741)	(913 464)
	(28 168 340)	**(24 917 233)**

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

	2014	2013
Opening balance	24 917 233	24 001 187
Net expense recognised in the statement of financial performance	3 251 107	916 046
Closing balance	**28 168 340**	**24 917 233**

Net expense recognised in the statement of financial performance

Figures in Rand	2014	2013

9. Employee benefit obligations (continued)

	2014	2013
Current service cost	2 112 918	1 243 328
Interest cost	1 169 891	1 855 803
Actuarial (gains) losses	881 762	(1 388 746)
Paid out to current members	(913 464)	(794 339)
Total Employee Benefits Costs Paid	**3 251 107**	**916 046**

Calculation of actuarial gains and losses

	2014	2013
Actuarial (gains) losses – Obligation	881 762	(1 388 746)

Key assumptions used

Assumptions used at the reporting date:

	2014	2013
Discount rates used: Long service awards	8.63 %	7.44 %
General Salary Inflation (Long Term)	6.65 %	6.82 %
Nett effective discount rate - Long service awards	0.87 %	0.58 %
Discount rate used: Post employment benefits	8.63 %	8.63 %
Health Care Cost Inflation Rate	8.15 %	7.63 %
Net effective discount rate - Post employment benefits	0.87 %	0.93 %

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	733 132	583 228
Effect on defined benefit obligation	4 594 377	3 737 654

Amounts disclosed span the total information available as the municipality applied the GRAP standard only from 2012 annual financial statements. Future periods will include all further information as it ages.

	2014 R	2013 R	2012 R	2011 R	2010 R
Defined benefit obligation	28 168 340	24 917 233	24 001 186	-	-
Experience adjustments on plan	1 258 817	(1 444 000)	(74 000)	-	-

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):

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

10. Deposit (Security held in advance)

A security deposit is held by Escom who is the bulk electricity supplier of the municipality. The Municipality occasionally pays additional deposits as required by the supplier. The deposit attracts interest at rates determined by the supplier on an annual basis. The annual interest is accounted for in the additional deposit amounts held and the relevant interest earned amount on the statement of financial performance.

11. Longterm lease Debtor

The municipality levied additional lease contract that was signed based on historical leases. These lease contracts were previously not available and have been provided as contingent assets in 2013. The leases were only finalised after 2014 year end but adjusted retrospectively as required by GRAP. The amounts levied were 2014 : R643 564.54 (2013: R 342 026.94) (2010- 2012 : R 217 771.62)

12. Inventories

Consumable stores	2 287 835	1 909 188

13. Receivables from exchange transactions

Sundry Debtors	856 381	1 159 684
Prepayments (if immaterial)	472 676	-
Sekhukhune Debtor	14 820 490	15 354 344
Write off Debtor: to be authorised by council	24 151	24 151
Recoverable Debt	682 969	682 969
	16 856 667	**17 221 148**

The Sekhukhune debtor is due to a service level agreement between the District Municipality (water services authority) and the local municipality (water services provider).

14. Receivables from non-exchange transactions

Fines	17 808 535	16 602 810
Less- Provision for irrecoverable debt and fair value adjustment	(15 180 218)	(14 307 707)
	2 628 317	**2 295 103**

Receivables from non-exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions of R 17 808 535 (2013: R 16 602 810) were impaired and provided for.

The amount of the provision was R 15 180 218 as of 30 June 2014 (2013: R 14 307 707).

15. VAT receivable

VAT receivable	13 368 736	10 115 546

The amount reflecting on the above mentioned balances consists of the VAT input and VAT control accounts.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

16. Consumer debtors

Gross balances		
Rates - Non Exchange Transaction Restated	26 376 089	18 026 208
Electricity - Exchange Transaction	12 431 060	8 342 167
Refuse - Exchange Transaction	1 782 966	1 536 635
Other - (Interest and other major items) - Non Exchange Transaction	9 672 545	10 806 118
	50 262 660	**38 711 128**
Less: Provision for debt impairment		
Rates - Non Exchange Transaction	(14 664 106)	(9 269 174)
Electricity - Exchange Transaction	(6 013 073)	(2 589 101)
Refuse - Exchange Transaction	(1 123 168)	(955 033)
Other - (Interest and other major items) - Non Exchange Transaction	(8 233 098)	(7 847 985)
	(30 033 445)	**(20 661 293)**
Net balance		
Rates - Non Exchange Transactions	11 711 983	8 757 034
Electricity - Exchange Transactions	6 417 987	5 753 066
Refuse - Exchange Transactions	659 798	581 602
Other - (Interest and other major items) - Non Exchange Transactions	1 439 447	2 958 133
Total net consumer debtors balance	**20 229 215**	**18 049 835**

Rates - Consisting of Non Exchange Transactions		
Current (0 -30 days) Restated	8 282 013	4 824 928
31 - 60 days	955 633	1 027 043
61 - 90 days	718 048	734 550
91 - 120 days	651 773	641 594
121 - 365 days	586 982	4 777 969
> 365 days	15 181 640	6 020 124
	26 376 089	**18 026 208**

Electricity - Consisting of Exchange Transactions		
Current (0 -30 days)	4 154 408	3 821 963
31 - 60 days	1 810 965	2 152 385
61 - 90 days	847 374	573 074
91 - 120 days	615 631	176 853
121 - 365 days	517 837	357 825
> 365 days	4 484 845	1 260 067
	12 431 060	**8 342 167**

Refuse - Consisting of Exchange Transactions		
Current (0 -30 days)	328 154	205 615
31 - 60 days	57 787	113 594
61 - 90 days	36 267	50 942
91 - 120 days	29 974	29 267
121 - 365 days	25 909	164 933
> 365 days	1 304 875	972 284
	1 782 966	**1 536 635**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

16. Consumer debtors (continued)

Other - Consisting of Non Exchange Transactions		
Current (0 -30 days)	266 957	1 283 570
31 - 60 days	725 704	1 124 910
61 - 90 days	772 174	570 467
91 - 120 days	560 868	365 229
121 - 365 days	425 306	1 902 811
> 365 days	6 921 536	5 559 131
	9 672 545	**10 806 118**

Reconciliation of debt impairment provision		
Balance at beginning of the year	(20 661 293)	(17 064 194)
Contributions to provision - Statement of financial Performance.	(9 372 152)	(3 597 099)
	(30 033 445)	**(20 661 293)**

Consumer debtors impaired

As of 30 June 2014, consumer debtors of R50 262 660.31 (2013: R35 375 342) were impaired and provided for.

The amount of the provision was - R30 033 445 on 30 June 2014 (2013: - R20 661 293).The basis of the calculation of debt impairment is based on the risk assessment required in terms of GRAP 19.

Figures in Rand	2014	2013

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	250	280
Bank balances	35 246 615	15 334 008
	35 246 865	**15 334 288**

The amounts utilised in the financial statements are the cash book balances as prescribed by the accrual basis of accounting that is used to prepare the annual financial statements. The bank statement balances as indicated on the bank statements for the specific date. Bank reconciliations indicating the reconciling items are performed monthly for each account. The municipality strives to keep the reconciling items to as little as possible.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
ABSA BANK - Cheque Account (Acc no 900000049	4 412 025	2 036 698	2 587 065	935 144
ABSA BANK - Cheque (PHP) (Acc no 4058848103)	322 237	319 784	322 237	319 784
ABSA Bank Limited Call Account (Acc no 4068316809)	495 659	3 444 158	518 217	3 471 967
Nedbank Limited: 90 Day Notice Deposit (Acc No 03/7881068264/000009)	-	10 084 863	-	10 084 863
Sanlam Investment Management Corporate Money Market Fund (Acc No: GGMKON)	320 346	309 041	320 346	309 041
Nedbank Limited: 90 Day Notice Deposit (Acc No 03/7881068264/00001)	31 498 750	-	31 498 750	-
Stanlib (Standard Bank Corporate Money Market)	-	213 209	-	213 209
Total	**37 049 017**	**16 407 753**	**35 246 615**	**15 334 008**

18. Other financial liabilities

Operating lease payments received in advance	5 280 000	-
Terms and conditions		

The municipality received R 5 500 000 in advance for the market related lease of a business property. As part of the lease agreement these payments are amortised over the period of the lease agreement. No escalation is applicableon the lease and the lease payments are amortised utilising the straight line method.

Non-current liabilities		
At amortised cost	5 280 000	-

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	4 885 770	-
Land Affairs Grant	466 250	466 250
DPLG/PHP Housing Grant	322 237	319 785
DME - ELECTRIFICATION GRANT	3 987 599	-
	9 661 856	**786 035**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

19. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 26 for reconciliation of grants from Provincial Government.

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

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

20. Provision for long service leave bonus

Notes to the Annual Financial Statements

Figures in Rand

20. Provision for long service leave bonus (continued)

Reconciliation of provision - 2014

	Opening Balance	Current Service Cost	Benefit Vested	Interest Cost	Actuarial Loss / (Gain)	Total
Environmental rehabilitation - Landfill	31 145 563	3 183 094	-	662 550	-	34 991 207
Provision for Long Service Leave Bonus	2 149 318	196 740	(230 108)	151 519	76 573	2 344 042
	33 294 881	**3 379 834**	**(230 108)**	**814 069**	**76 573**	**37 335 249**

Reconciliation of provision - 2013

	Opening Balance	Current Service Cost	Benefit Vested	Interest Cost	Actuarial Loss / (Gain)	Transferred from Sekhukhune District Municipality	Total
Environmental rehabilitation - Landfill	-	28 747	-	-	-	31 116 816	31 145 563
Provision for Long Service Leave Bonus	1 590 456	198 391	(33 990)	111 688	282 773	-	2 149 318
	1 590 456	**227 138**	**(33 990)**	**111 688**	**282 773**	**31 116 816**	**33 294 881**

Landfill site provision	34 991 207	31 145 563
Non-current portion of long service leave provision	2 285 766	1 919 210
Current portion of long service leave provision	58 276	230 108
	37 335 249	**33 294 881**

Employee benefit cost provision

An actuarial valuation was performed on the long service bonus awards liability as at 30 June 2012 for the purpose of reporting under the statement of Generally Recognised Accounting Practice 25 (GRAP 25) of the Accounting Standards Board (ASB) Directive 5, which is based on the International Accounting Standards 19 (IAS 19) was performed.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

20. Provision for long service leave bonus (continued)

In terms of the basic conditions of employment long service accumulated leave must be wholly or partially converted to payment on the date on which the employee qualifies for it or at any stage thereafter subject to budget provisions.

Environmental rehabilitation provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph 61.

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

21. Payables from exchange transactions

	2014	2013
Trade payables	13 043 123	10 433 247
Accrued leave pay	7 774 925	5 827 350
Accrued bonus	2 357 860	1 892 432
Retention fees	10 079 440	10 162 525
	33 255 348	**28 315 554**

22. Consumer deposits

	2014	2013
Deposits held	3 170 578	3 175 796

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Revenue

Service charges	56 620 595	54 468 633
Rental of facilities & equipment	1 124 655	879 606
Income from agency services	2 623 479	3 187 088
Licences and permits	4 699 395	5 248 726
Other revenue	2 209 865	3 552 209
Interest received - investment	8 822 877	5 089 585
	76 100 866	**72 425 847**

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

Service charges	56 620 595	54 468 633
Rental of facilities & equipment	1 124 655	879 606
Interest received – trading	8 822 877	5 089 585
Income from agency services	2 623 479	3 187 088
Licences and permits	4 699 395	5 248 726
Other revenue	2 209 865	3 552 209
	76 100 866	**72 425 847**

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

Taxation revenue		
Property rates	20 449 606	21 235 856
	-	-
Fines and Enforcement Revenue		
Fines	1 666 250	2 774 950
Transfer revenue		
MIG Grant	38 710 230	35 223 000
Equitable share and other grants	152 890 401	132 856 000
	213 716 487	**192 089 806**

24. Property rates

Rates received

Residential	35 131 844	35 315 767
Less: Income forgone	(14 682 238)	(14 079 911)
	20 449 606	**21 235 856**

Valuations

Residential	2 748 308 000	2 820 662 000
Commercial	1 005 396 900	900 061 900
State	195 060 660	285 037 770
Municipal	124 105 210	25 428 100
Small holdings and farms	3 398 230 650	3 401 873 650
Social	48 619 000	41 589 000
	7 519 720 420	**7 474 652 420**

Valuations on land and buildings are performed every 4 years. The general valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The general supplementary valuation was implemented on 01 July 2014.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

25. Service charges

Sale of Electricity	53 899 203	51 890 277
Refuse Removal	2 721 392	2 578 356
	56 620 595	**54 468 633**

26. Government grants and subsidies

Equitable Share	143 438 000	129 556 000
Municipal Infrastructure Grant (MIG)	38 710 230	35 223 000
Financial Management Grant (FMG)	1 550 000	1 500 000
Municipal System Improvement Grant (MSIG)	890 000	800 000
DME - National Electrification Grant	6 012 401	-
EPWP Grant	1 000 000	1 000 000
	191 600 631	**168 079 000**

Equitable Share

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

Municipal Infrastructure Grant

Current-year receipts	43 596 000	35 223 000
Conditions met - transferred to revenue	(38 710 230)	(35 223 000)
	4 885 770	**-**

Municipal Finance Management Grant

Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 550 000)	(1 500 000)
	-	-

All conditions to the FMG Grant were met during the year.

Municipal Systems Improvement Grant

Current year receipts	890 000	800 000
Conditions met - transferred to revenue	(890 000)	(800 000)
	-	-

Conditions still to be met - remain liabilities (see note 19)

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

26. Government grants and subsidies (continued)

Land Affairs

Balance unspent at beginning of year	466 250	466 250

DME - National Electrification Grant

Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(6 012 401)	-
	3 987 599	**-**

EPWP Grant

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 000 000)
	-	**-**

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Other revenue

Other income	2 209 865	3 552 209

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

28. General expenses

Auditing - Internal audit fee	-	173 947
Advertising	460 275	318 284
Auditors remuneration	2 785 596	2 009 282
Bank charges	263 391	284 774
Community services	3 609 134	1 238 361
Conferences and seminars	2 747 422	1 055 305
Consulting and professional fees	12 592 947	6 423 005
Consumables	2 223 883	1 326 318
Bursaries	311 752	121 590
Electricity	-	2 448 903
Entertainment	130 480	106 979
Fines and penalties	55 050	-
Fuel and oil	955	910 422
IT expenses	7 225 697	2 490 498
Insurance	3 870 119	972 646
Lease rentals on operating lease	3 792 972	2 667 517
Magazines, books and periodicals	-	13 876
Marketing	-	7 225
Motor vehicle expenses	1 078 133	886 504
Postage and courier	221 613	64 227
Printing and stationery	1 430 408	1 021 781
Protective clothing	174 579	131 317
Refuse	2 725 775	2 459 947
Security (Guarding of municipal property)	7 074 501	4 828 891
Waste disposal - additional interest landfill rehabilitation provision	662 550	543 026
Staff welfare	193 896	799 665
Stock adjustment	123 427	37 196
Subscriptions and membership fees	1 049 692	977 854
Telephone and fax	2 037 809	2 860 442
Town planning	734 500	679 118
Training	1 157 549	479 805
Travel - local	592 602	398 242
Uniforms	11 988	49 855
	59 338 695	**38 786 802**

29. Operating surplus

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

Operating lease charges		
Motor vehicles		
• Contractual amounts	361 137	58 179
Equipment		
• Contractual amounts	3 431 835	2 609 338
	3 792 972	**2 667 517**

Loss on sale of property plant and equipment	(53 999)	(598 341)
Impairment on property, plant and equipment	(1 250 000)	10 276 900
Gain on sale of non-current assets held for sale and net assets of disposal groups	-	69 288 000
Depreciation on property, plant and equipment	32 828 403	33 975 376
Employee costs	103 182 739	88 428 734

Figures in Rand	2014	2013

30. Employee related costs

Basic	50 496 221	39 469 950
Bonus	465 429	354 758
Medical aid - company contributions	2 601 570	2 506 795
UIF	410 094	362 276
Bargaining Council	22 205	18 833
SDL	590 238	536 537
Leave pay provision charge	6 169 890	6 648 584
Defined contribution plans	9 301 780	8 305 573
Travel, motor car, accommodation, subsistence and other allowances	3 693 265	3 287 740
Overtime payments	1 406 819	603 164
Post Employment Medical Aid Benefits and long service leave - Interest Charge	2 264 437	1 355 016
Post Employment Medical Aid Benefits and long service leave - Current Service Cost	1 366 631	1 426 997
Acting allowances	403 554	667 832
Housing benefits and allowances	67 213	51 160
Stipend Ward Committee	3 478 238	3 650 634
	82 737 584	**69 245 849**

Not Included in the above balances is (unless stated otherwise) the remuneration for the following S55 and S57 municipal employees:

Remuneration of Municipal Manager (Ms. MM Skosana) until resignation 31 January 2014

Annual Remuneration	453 643	719 202
Car Allowance	110 833	190 000
Contributions to Pension Funds	34 023	53 536
Contribution to UIF and SDL	7 151	9 890
Leave Pay	102 584	-
Bargaining Council	45	-
	708 279	**972 628**

Remuneration of Acting Municipal Manager (From 24 February 2014) Director Planning and Development Mr. NW Phala

Annual Remuneration	618 605	-
Car Allowance	100 000	-
Acting Allowance (Municipal Manager)	38 077	-
Contributions to Pension Funds	46 395	-
Travelling and Subsistence	12 840	-
Contribution to UIF and SDL	8 391	-
Bargaining Council	64	-
	824 372	**-**

Remuneration of Chief Finance Officer (Mr. MS Monageng)

Annual Remuneration	660 000	262 500
Car Allowance	270 000	112 500
Travelling and Subsistence	1 067	-
Contribution to UIF and SDL	10 554	4 298
Bargaining Council	76	-
	941 697	**379 298**

Remuneration of Acting Chief Financial Officer (Mr. R Palmer)

Acting allowance	-	141 152

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

30. Employee related costs (continued)

Director Corporate Services - Acting Allowance (Mr. MM Mokganyetji)

Acting Allowance (included in basic salary total note - non S 57)	161 280	-

Director Corporate Services - Mr H Phaahla Contract ended 2013

Annual Remuneration	-	154 748
Car Allowance	-	42 500
Contribution to UIF and SDL	-	2 304
Acting Allowance	-	106 307
	-	**305 859**

Director Corporate Services - MS RM Maredi (from 1 June 2014)

Annual Remuneration	57 752	-
Car Allowance	10 000	-
Non Pensionable Allowance	2 500	-
Contribution to UIF and SDL	790	-
	71 042	**-**

Director Community Services (Mr. Tshesane)

Annual Remuneration	652 041	594 491
Car Allowance	148 803	148 803
Contributions to Pension Funds	97 806	89 174
Travelling and Subsistence	14 422	1 456
Contribution to Medical Aid	19 350	17 532
Contribution to UIF and SDL	9 200	8 649
Bargaining Council	76	-
	941 698	**860 105**

Director Infrastructure (Ms. RF Komape)

Annual Remuneration	694 167	506 733
Car Allowance	212 500	168 913
Contribution to UIF and SDL	10 426	7 941
Bargaining Council	76	-
	917 169	**683 587**

Director Strategic Management (Mr. MM Kgwale)

Annual Remuneration	709 847	700 151
Car Allowance	108 000	108 000
Travel and subsistance	6 704	2 190
Contributions to Pension Funds	53 239	34 378
Normal Bonus	58 273	-
Contribution to UIF and SDL	9 797	9 155
Bargaining Council	76	-
	945 936	**853 874**

Director Development Planning (Acting: Mr. BO Sethojoa)

Acting Allowance (included in basic salary total note - non S 57)	105 579	285 266

Figures in Rand	2014	2013

31. Remuneration of councillors

Mayor	675 358	648 249
Speaker	544 215	518 463
Executive Committee Councillors	2 251 230	1 581 234
Ordinary Councillors	12 057 139	11 467 153
Chief Whip	508 816	486 017
	16 036 758	**14 701 116**

In-kind benefits

The Mayor, Speaker, Chief Whip and three full time Exco councillors and seven part time Exco councillors. The three are provided with an office and secretarial support at the cost of the Council

It is certified in the accounting officer's report that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government’s determination in accordance with this Act.

Remuneration of Mayor

Public Office Remuneration	411 689	404 064
Car Allowance	164 077	156 479
Contributions to Medical and Pension Funds	89 617	82 798
Re - imbursive Allowance	5 380	4 908
Cellphone allowance retrospective	4 596	-
	675 359	**648 249**

Remuneration of Speaker

Public Office Remuneration	330 578	320 246
Car Allowance	131 262	125 184
Contributions to Medical and Pension Funds	73 476	69 107
Re - imbursive Allowance	4 304	3 926
Cellphone allowance retrospective	4 596	-
Other	1	-
	544 217	**518 463**

Remuneration of Executive Committee

Public Office Remuneration	1 503 830	1 112 936
Car Allowance	529 148	381 235
Contributions to Medical and Pension Funds	110 562	75 206
Re - imbursive Allowance	23 976	11 858
Other	25 911	-
Cellphone allowance retrospective	57 804	-
	2 251 231	**1 581 235**

Remuneration of Chief Whip

Public Office Remuneration	306 781	299 291
Car Allowance	123 058	117 360
Contributions to Medical and Pension Funds	70 347	65 685
Re - imbursive Allowance	4 035	3 681
Cellphone allowance retrospective	4 596	-
	508 817	**486 017**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

31. Remuneration of councillors (continued)

Remuneration of Ordinary Councillors

Public Office Remuneration	7 716 857	7 743 483
Car Allowance	2 772 005	2 712 223
Contributions to Medical and Pension Funds	879 962	866 540
Re - imbursive Allowance	95 549	144 907
Other	12 600	-
Cellphone allowance retrospective	580 166	-
	12 057 139	**11 467 153**

32. Administrative expenditure

Administration and management fees - third party	22 360	540 706

33. Debt impairment

Contributions to debt impairment provision	9 372 152	3 597 099
Contributioin toTraffic fine debt impairment provision	872 511	1 492 595
	10 244 663	**5 089 694**

34. Investment revenue

Interest revenue		
Bank and investments	3 063 982	906 052
Interest charged on trade and other receivables	5 224 936	3 733 164
Interest received - other	533 959	450 369
	8 822 877	**5 089 585**

35. Depreciation

Property Plant and Equipment	32 828 403	33 975 376

36. Gains or losses on sale of biological and other assets

Gain (loss) on valuation and write off of biological, other and heritage assets	(53 999)	(598 341)

37. Finance costs

Bank and long term loans	-	1 405

38. Auditors' remuneration

Fees	2 785 596	2 009 282

39. Operating lease

Describe the lessee’s significant leasing arrangements which include:

- basis on which contingent rent payable is determined.
- the existence and terms of renewal or purchases options and escalation clauses; and
- restrictions imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends, additional debt and further leasing.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

40. Grants and subsidies paid

Other subsidies		
PMU Expenditure MIG	-	763 822
FMG Grant Expenditure	1 491 456	1 500 000
MSIG Expenditure	795 689	344 771
	2 287 145	**2 608 593**

41. Bulk purchases

Electricity	48 014 426	46 120 194

42. Cash generated from operations

Surplus (deficit)	23 766 146	(60 275 870)
Adjustments for:		
Depreciation and amortisation	32 828 403	33 975 376
Gain on sale of assets and liabilities	53 999	598 341
Gain on sale of non-current assets and disposal groups	-	69 288 000
Landfill site - Groblersdal & Roosenekal (Provision)	3 183 094	26 783 202
Income from equity accounted investments	(4 765 000)	(2 238 000)
Fair value adjustments	958 335	(1 105 973)
Impairment	(1 250 000)	10 276 900
Debt impairment	10 244 663	5 089 694
Movements in operating lease assets and accruals	3 845 644	31 145 563
Movements in retirement benefit assets and liabilities	3 251 107	916 047
Movements in provisions	194 724	558 862
Other non-cash items - Prior year error Escom and Guarantees fines	1 357 828	(468 546)
Other non-cash items - Prior year error Rentals	47 625	16 672
Other non-cash items - Prior year error Debtors	(3 854 190)	(31 755 240)
Changes in working capital:		
Inventories	(378 647)	(41 541)
Receivables from exchange transactions	364 481	274 737
Other receivables from non-exchange transactions	(333 214)	(490 755)
Consumer debtors	(12 424 043)	(10 388 932)
Payables from exchange transactions	4 939 794	(12 767 098)
VAT	(3 987 542)	(1 125 333)
Unspent conditional grants and receipts	8 875 821	2 532
Consumer deposits	(5 218)	79 240
	66 913 810	**58 347 878**

43. Cash flow - prior year error adjustment

Cash flow was adjusted with the prior year errors on the face of the cash flow but not on the actual reserves received. The adjustment is presented on the face of the cash flow statement to indicate the effect on revenue and expenditure as per statement of financial performance.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	-	124 759
Contracted operating expenses		
• Operating expenditure	7 385 209	-

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc. The remaining work in progress projects for the period ended 30 June 2012 will also need to be funded from own revenue due to MIG grant 2012/13 already being committed and registered at National Treasury on new projects identified during the budget process 2012/13.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	748 531	827 909
- in second to fifth year inclusive	335 511	1 051 236
	1 084 042	**1 879 145**

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases/rentals are negotiated for a three year term. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	1 090 111	1 280 720
- in second to fifth year inclusive	2 127 314	2 097 979
	3 217 425	**3 378 699**

45. Contingent Liabilities

Litigation is in the process against the municipality relating to disputes with employees, members of the public and contractors/suppliers rendered services and goods to the municipality and is seeking damages of R 4 476 429 R 3 454 434 (2013).

Contingent assets

The following contingent assets are as a result of either council and/or MPAC resolutions that required steps to be taken to recover money owed.

- Severance packages former municipal manager and chief financial officer: R4 834 250.56

- IT expense Blue Mun Utility : R 694 275

- Rental income receivable 2013 - R209 942 was levied during the 2014 period.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

46. Related parties

Relationships

Councillors - Councillor remuneration - Refer to note	16 036 758	14 701 116
Post employment benefit plan for employees and/or other related parties - Refer to Note 9 - Municipal Gratuity Fund	28 168 340	24 917 233
Municipal Manager (Section 55) and Other Directors (Section 57) Remuneration - Refer to note	5 354 333	4 484 771

47. Prior period errors

The following prior year error was identified and adjusted retrospectively:

CORRECTED IN 2012/2013 FINANCIAL PERIOD

1. Restatement of Trade Receivables - The levies on stands identified in the valuation roll was added to the financial system during the financial year. The levies were raised retrospectively. The levied amount was corrected to Trade receivables for the portion of the levies due until 30 June 2013. The amount levied was R3 335 787 that increase accumulated surplus with the additional 2013 income.

2. The security deposit held by Escom was understated due to an adjustment made by Escom. The amounts held as deposit was adjusted upwards due to a correction of error on the consumption for 2011-12. This resulted in payments made for consumption to be reallocated as an additional deposit. The additional depost indicated is R 1 166 139.25. The restatement increase accumulated surplus with the increase in asset and reduction in expenses for 2011.

3. The amount indicated as consumer deposits were originally adjusted in 2010/11. The adjustment amount incorrectly included guarantees amounting to R 109 403 as part of consumer deposits. The error was noticed when the amount held expired on 30 June 2014 and no movement was made for the entry in the ledger. The original entry is herewith corrected increasing accumulated surplus with the reduction in liability from 2010.

4. The rentals indicated as contingent assets was finalised in 2014. This resulted in additional billing from 2010 until 2014. The effect was an increase of R 302 949 2013 (R 193 953 (2010-2012)) on accumulated surplus, R 39 078.17 (R 23 818.77 2010-2012) increase in VAT receivable and R 342 026.94 ((R 217 771.62) (2010-2012)) increase in sundry rental debtors.

5. Traffic fines were restated to comply with GRAP 23 rules. The nett amounts provided was R 2 295 102.75 on accumulated surplus. The revenue from these fines was also restated as R 490 755 for 2013. The total outstanding debtors 2014 R 17 808 535 (2013 R 16 602 810) was provided as sundry debtors and an impairment test was made for the amount.The amount of the provision was R 15 180 218 as of 30 June 2014 (2013: R 14 307 707)

6. Trade payables and trade receivables were restated as part of the implementation and prior year correction of financial statements mapping. the effect was an decrease in trade payables R 59 449.34 and adecrease of trade receivables by R 58 520.35. this related to the correction of vendor datatbase forms funds received in 2010/2011 that was not cleared correctly but remained with debit and credit amounts on the statements.

(The correction number is indicated in brackets next to the item adjusted.)

Statement of financial position	**2012 / 2013**	**2011 / 2012**
Accumulated Surplus (1) (2) (3) (4)	(7 210 320)	(3 274 773)
Consumer Debtors (1)	3 335 787	-
Trade and other receivables (4) Rentals from contingent assets	342 027	217 773
Trade and other payables from non exchange transactions. - Fines (Nett)	2 295 103	1 804 348
Trade and other receivables - from restated amount processing error	(58 520)	(58 520)
Deposit (Security) held in advance (2))	1 166 139	1 166 139
Trade and other receivable	59 449	59 449
Consumer Deposits - Guarantees (3)	109 403	109 403
VAT payable / receivable(4)	(39 078)	(23 819)
	-	-

Figures in Rand	2014	2013

47. Prior period errors (continued)

-Statement of Financial Performance		
Property rates	3 335 787	3 335 787
Fines	1 983 350	490 755
Other income - Rentals from contingent assets	342 027	108 996
Bad debt - traffic fines	(1 492 595)	-
	4 168 569	**3 935 538**

48. Comparative figures

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

Employee Costs were disclosed in the prior year and adjusted with the remuneration of section 55 and 57 managers. This adjustment in bulk for disclosure items created a distortion of the individual amounts presented in the note on employee costs . These have now been reclassified to present the individual expenditure liabilities more accurately. The total expenditure did not change. The composition of the prior year items were adjusted to be more accurate only.

Disclosure before restatement:	
Basic	44 168 012
Bonus	371 154
Leave pay provision charge	5 653 249
Travel, Motor Car and other allowances	65 761
Post employment medical aid - Interest	2 304 793
Post employment medical aid - Current service	-
Acting allowances	667 832
Transport allowances	3 179 901
Housing benefits and allowances	43 580
Long service leave interest charges	365 532
Ward committee stipend	-
Long service leave - Face of I/s - Finance cost	113 093
Total	**56 932 907**

Disclosure after restatement and correcting of prior year error as reflected in note :	
Basic	39 488 782
Bonus	354 758
Leave pay provision charge	6 648 584
Travel, Motor Car and other allowances	3 287 740
Post employment medical aid - Interest	1 355 016
Post employment medical aid - Current service	1 426 997
Acting allowances	667 832
Transport allowances	-
Housing benefits and allowances	51 160
Long service leave interest charges	-
Ward committee stipend	3 650 634
Long service leave - Face of I/s - Finance cost	1 405
Total	**56 932 908**

The reclassification was performed as some items included in the salary disclosure did not follow the correct financial statements mapping structures. This was extensively reviewed for the year in order to prepare for the implementation of SCOA regulations in 2015.

On the financial statement disclosure journals for 2011-12 were not cleared during the roll forward. This created a difference overstating the trade debtors and trade creditors amounts. The amounts were cleared retrospectively and amounted to R58 611 for vendor database income in the 2010- 11 financial year that was erroneously kept as an creditor. The process correction in the 2012-13 financial statements presented the amount as a debtor. The amount was cleared and the disclosure corrected.

48. Comparative figures (continued)

49. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes , 18, cash and cash equivalents disclosed in note 17, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the municipality may adjust the amount of dividends paid to member, return capital to member, issue new shares or sell assets to reduce debt.

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

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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 municipality is able to cover the current and future commitments from available funds at a ratio of 25 times from the accumulated investment balances.

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

The municipality analyses the municipality’s financial liabilities and net-settled derivative 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 are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All items of financial liabilities are less than one year from settlement.

Interest rate risk

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

Credit risk

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

Figures in Rand	2014	2013

49. Risk management (continued)

Trade 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. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

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

Financial instrument	2014	2013
Vehicles - Fleet Africa - operational lease	1 156 000	1 156 000

50. 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.Council has resolved that all unauthorised, fruitless and wasteful, irregular expenditure for the financial years 2010/11 and 2011/12 be fully investigated.

51. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

52. Unauthorised expenditure

Vote 3 - Budget and Treasury - Operating Expenditure	-	37 568 680
Vote 4 - Corporate Services - Operating Expenditure	-	2 536 214
Vote 2 - Municipal Manager - Operating Expenditure	-	182 977
Vote 3 - Budget and Treasury - Capital Expenditure	-	111 251
Vote 4 - Corporate Services - Capital Expenditure	-	26 253
Vote 5 - Community Services - Capital Expenditure	-	657 925
Vote 7 - Strategic Planning and Development - Capital Expenditure	-	50 580
	-	**41 133 880**

2013 - Unauthorised operating expenditure is the following non-cash backed expenditure which includes the following, debt impairment R10 291 087 (2013), depreciation and transferred asset costs R26 975 376 (2013) and impairment loss R10 276 900.

53. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - 2010 Interest paid on late payments	-	8 448
Fruitless and wasteful expenditure - 2011 Severance Packages	-	6 225 987
Fruitless and wasteful expenditure - 2011 Interest paid on late payments	-	23 444
Fruitless and wasteful expenditure - 2012 Interest paid on late payments	-	49 502
Fruitless and wasteful expenditure - 2013 Interest paid on late payments	-	75 595
Fruitless and wasteful expenditure - 2014 Interest paid on late payments	20 260	-
Fruitless and wasteful expenditure - IT System supplied unsuitable and not completed	-	2 611 545
	20 260	**8 994 521**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

53. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure relates to penalties and interest on the late payment of suppliers R 20260 (2014) R75 595 (2013), R49 502 (2012), R23 444 (2011) and R8 448 (2010).

The contracts for the Municipal Manager and Chief Financial Officer were terminated during the Financial Year 2011. Severance packages amounting to R6 225 987 had had been paid out. Based on MPAC's resolution that this amount must be recovered from council - 26 October 2012,

Analysis of expenditure awaiting condonation per age classification

Current year	-	75 595
Prior years	8 994 521	8 918 926
	8 994 521	**8 994 521**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

53. Fruitless and wasteful expenditure (continued)

Details of fruitless and wasteful expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Interest paid due to payment process	Under investigation	20 260

Details of fruitless and wasteful expenditure

	Actions Taken	
Interest On Late Payments	Under investigation	78 412
Interest Paid 2014	Under investigation	20 260
Severance Packages	Under investigation	6 225 987
IT Equipment Unsuitable and Not Completed	Under investigation	2 611 545
		8 936 204

54. Irregular expenditure

	2014	2013
Opening balance	6 072 171	5 541 649
Add: Irregular Expenditure - current year	-	530 522
	6 072 171	**6 072 171**

Analysis of expenditure awaiting condonation per age classification

	2014	2013
Current year	-	530 522
Prior years	5 260 792	4 730 270
	5 260 792	**5 260 792**

Details of irregular expenditure

	Disciplinary steps taken	
2012 Payment on Security Services	Expenditure recoverable	811 376
2012 Excess payment on Internal Audit	Under investigation	893 149
2012 Excess payment on Electronic filling system	Under investigation	591 415
2013 Payment on Repairs and Maintenance	Under investigation	356 575
2013 Excess payment on Internal Audit	Under Investigation	173 947
		2 826 462

55. Additional disclosure in terms of Municipal Finance Management Act

Electricity distribution losses

	2014	2013
Losses incurred - R	8 141 074	2 689 090
% loss incurred	18	15
Purchased units	70 436 216	70 426 358
Sold units	58 028 880	5 980 280
	136 606 188	**79 095 743**

SALGA Fees

	2014	2013
Current year subscription / fee	966 695	693 505
Amount paid - current year	(966 695)	(693 505)
	-	**-**

PAYE and UIF

Figures in Rand	2014	2013

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

Current year subscription / fee	12 080 317	10 454 737
Amount paid - current year	(12 080 317)	(10 454 737)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	20 036 249	17 105 596
Amount paid - current year	(20 036 249)	(17 105 596)
	-	-

VAT

VAT receivable	13 368 736	10 115 546
VAT payable	-	(734 352)
	13 368 736	**9 381 194**

VAT output payables and VAT input receivables are shown in note 15.

All VAT returns have been submitted by the due date throughout the year. The municipality is registred on the cash basis and the timing of payments to/from SARS is at the end of each month.

Councillors' arrear consumer accounts

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

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Maloba AM	15	137	152

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Skosana JJ	4 483	2 197	6 680
Cllr Matlala MS	727	1 563	2 290
Cllr Mahlangu TS	106	487	593
	5 316	**4 247**	**9 563**

56. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	5 280 000	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date. The amount raised is the pre payment of rentals for a stand by developers. R 5 500 000 was received for a 300 month rental period.

Figures in Rand	2014	2013

57. Deviation from supply chain management regulations

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

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the municipal manager and noted by Council. Deviation found were as follows.

Incident		
The only service provider (31)	448 087	408 603
Emergencies (5)	376 651	31 924
Vehicles stripped and to be repaired (13)	193 323	93 984
Venue - nearer and only (14)	244 051	435 106
Specialist services (8)	452 698	351 162
Insufficient suppliers and or quotations could be obtained	111 223	-
	1 826 033	**1 320 779**