CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY

Annual Financial Statements

for the year ended 30 June 2014

General Information

Legal form of entity	Local municipality
Municipal demarcation code	MP301
Nature of business and principal activities	Service delivery
Executive Mayor	Shiba BP
Speaker	Nkosi SM
Chief Whip	Nkosi DP
Mayoral Committee	Mngomezulu MW Mnisi NM Thabethe QG
Councillors	Cindi NR Dludlu ZM Lubede EJ Maduna ME Makene J Makhubela EB Makhubela NV Malaza STQ Masuku BM Mbhele JS Mdluli NI Mhlanga PP Mnisi N Mnisi NM Mngomezulu MW Motha TJ Motha TW Mthombeni SF Neethling M Ngubeni A Nkabinde NJ Nkosi AD Nkosi DP Nkosi FE Nkosi GJ Nkosi JS Nkosi JM Nkosi MH Nkosi MJ Nkosi NM Nkosi SM Nkosi SZ Nkosi SJ Nkosi VL Ntuli FJ

General Information

	Phakathi FDM Shabangu LD Shabangu VS Shiba BP Sikhakhane NB Simelani JD Soko JP Steenkamp ML Thabethe QG Thomo NG Vilakazi J Vilakazi RG Vilakazi VV Zwane TE Zulu TW
Grading of local authority	Grade 3 Medium capacity
Accounting Officer	Mpila VN
Chief Finance Officer (CFO)	Mphumuzi Nhlabathi
Registered office	28 Kerk Street Carolina Mpumalanga 1185
Business address	28 Kerk Street Carolina Mpumalanga 1185
Postal address	Private Bag X719 Carolina 1185
Bankers	Standard Bank of South Africa Limited
Auditors	Auditor General
Attorneys	Guzana Attorneys Macbeth Ncongwane Attorneys Ramathe MJ Attorneys TMN Kgomo Attorneys

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously Common Management Information Protocol)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 80, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on his behalf by:

Accounting Officer
Mpila VN

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 the following number of meetings were held.

Name of member	Number of meetings attended
Tebogo Gafane (Chairperson)	8
Xholani Khumalo	5
Sanele Gumbi	6
Mmabatho Sepuru	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 effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with 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 therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

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 audited 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 (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

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

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

_____

Chairperson of the Audit Committee

Date: _____

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Cash and cash equivalents	3	2 437 458	1 195 124
Receivables from exchange transactions	4	34 754 849	24 100 523
Receivables from non-exchange transactions	5	60 931 997	40 662 138
Inventories	6	2 577 294	1 715 111
Investments	7	19 107 082	1 198 777
Operating lease asset	8	261 864	24 244
VAT receivable	9	-	1 567 137
		120 070 544	**70 463 054**
Non-Current Assets			
Investment property	10	19 142 500	18 345 000
Property, plant and equipment	11	763 371 268	723 360 106
Investments	7	270 963	252 348
		782 784 731	**741 957 454**
Non-current assets held for sale	12	2 738 000	2 738 000
Non-Current Assets		782 784 731	741 957 454
Current Assets		120 070 544	70 463 054
Non-current assets held for sale		2 738 000	2 738 000
Total Assets		**905 593 275**	**815 158 508**
Liabilities			
Current Liabilities			
Payables from exchange transactions	13	128 879 544	93 905 234
Finance lease obligation	14	396 919	267 600
VAT payable	9	1 333 974	-
Unspent conditional grants and receipts	15	40 791 880	1 385 824
Provisions	16	-	30 000
		171 402 317	**95 588 658**
Non-Current Liabilities			
Finance lease obligation	14	228 789	384 084
Employee benefit obligation	17	11 243 000	10 988 000
Provisions	16	5 263 749	4 992 503
Long service award accrual	19	4 031 000	3 811 000
		20 766 538	**20 175 587**
Non-Current Liabilities		20 766 538	20 175 587
Current Liabilities		171 402 317	95 588 658
Liabilities of disposal groups		-	-
Total Liabilities		**192 168 855**	**115 764 245**
Assets		905 593 275	815 158 508
Liabilities		(192 168 855)	(115 764 245)
Net Assets		**713 424 420**	**699 394 263**
Reserves			
Revaluation reserve	18	24 046 763	24 046 763
Accumulated surplus		689 377 657	675 347 500
Total net assets		**713 424 420**	**699 394 263**

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Dividends received - investments	24	-	6 884
Donations	25	20 497 884	10 732 760
Fines	39	495 161	194 214
Government grants & subsidies	23	293 361 741	268 343 473
Interest received - consumers	28	18 256 310	16 058 562
Property rates	22	29 131 077	31 158 134
Interest received - investment	24	1 238 360	1 758 010
Licences and permits	34	2 307 245	1 863 030
Other Income	27	1 805 692	1 257 078
Gain on disposal of assets	27	668 843	-
Rental of facilities and equipment	26	784 644	427 476
Service charges	21	30 706 540	29 442 567
Total revenue		**399 253 497**	**361 242 188**
Expenditure			
Employee related cost	29	(105 758 239)	(95 987 050)
Remuneration of councillors	30	(13 349 906)	(12 602 909)
Depreciation	11	(96 347 442)	(94 508 594)
Rehabilitation cost		(2 351 868)	(647 042)
Finance costs	33	(761 712)	(878 432)
Allowance for debt impairment	31	(23 331 270)	(34 216 243)
Repairs and maintenance	32	(11 614 108)	(24 099 497)
Bulk purchases	35	(34 282 175)	(31 362 755)
Contracted services	36	(40 450 415)	(27 263 801)
Loss on disposal of assets	38	-	(4 867 700)
General expenses	38	(57 211 503)	(69 478 683)
Total expenditure		**(385 458 638)**	**(395 912 706)**
		-	-
Total revenue		399 253 497	361 242 188
Total expenditure		(385 458 638)	(395 912 706)
Operating surplus (deficit)		**13 794 859**	**(34 670 518)**
Fair value adjustment	40	208 562	196 080
Surplus (deficit) before taxation		14 003 421	(34 474 438)
Taxation		-	-
Surplus (deficit) for the year		**14 003 421**	**(34 474 438)**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2012	**24 046 763**	**709 821 938**	**733 868 701**
Changes in net assets			
Deficit for the year	-	(34 474 438)	(34 474 438)
Total changes	-	(34 474 438)	(34 474 438)
Adjustments			
Prior year adjustments - see note 46	-	4 867 700	4 867 700
Restated Balance at 01 July 2013	**24 046 763**	**675 347 500**	**699 394 263**
Changes in net assets			
Surplus for the year	-	14 003 421	14 003 421
Total changes	-	14 003 421	14 003 421
Balance at 30 June 2014	**24 046 763**	**689 377 657**	**713 424 420**
Note(s)	18		

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Sale of goods and services		5 568 966	31 158 134
Grants		313 859 625	276 343 491
Interest income from investing activities		1 238 360	1 758 010
Interest income from trading activities		18 256 310	16 058 562
Other receipts		44 798 798	3 807 982
		383 722 059	329 126 179
Payments			
Employee costs		(119 108 145)	(108 208 127)
Suppliers		(107 714 261)	(105 712 058)
Finance costs		(430 536)	(878 424)
Services		-	(20 701 415)
Taxes		-	(3 061 302)
		(227 252 942)	(238 561 326)
Total receipts		383 722 059	324 258 479
Total payments		(227 252 942)	(238 561 326)
Net cash flows from operating activities	42	**156 469 117**	**85 697 153**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(137 824 066)	(100 279 290)
Proceeds from sale of property, plant and equipment	11	672 793	-
Movement on investments		(17 718 358)	12 827 290
Net cash flows from investing activities		**(154 869 631)**	**(87 452 160)**
Cash flows from financing activities			
Other liability		-	839 000
Finance lease payments		(357 152)	(219 841)
Net cash flows from financing activities		**(357 152)**	**619 159**
Net increase / (decrease) in cash and cash equivalents		**1 242 334**	**(1 135 848)**
Cash and cash equivalents at the beginning of the year		1 195 124	2 330 972
Cash and cash equivalents at the end of the year	3	**2 437 458**	**1 195 124**

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 (note 54)
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	40 457 918	19 531	**40 477 449**	30 706 540	**(9 770 909)**	
Rental of facilities and equipment	175 000	(56 722)	**118 278**	784 644	**666 366**	
Interest received (consumers)	16 895 690	-	**16 895 690**	18 256 310	**1 360 620**	
Licences and permits	-	-	**-**	2 307 245	**2 307 245**	
Administration and management fees received	1 060 795	-	**1 060 795**	1 805 692	**744 897**	
Interest received - investment	755 670	-	**755 670**	1 238 360	**482 690**	
Total revenue from exchange transactions	**59 345 073**	**(37 191)**	**59 307 882**	**55 098 791**	**(4 209 091)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	32 106 882	63 483	**32 170 365**	29 131 077	**(3 039 288)**	
Government grants & subsidies	181 564 150	-	**181 564 150**	293 361 741	**111 797 591**	
Transfer revenue						
Public contributions and donations	-	-	**-**	20 497 884	**20 497 884**	
Fines	345 667	(93 007)	**252 660**	495 161	**242 501**	
Total revenue from non-exchange transactions	**214 016 699**	**(29 524)**	**213 987 175**	**343 485 863**	**129 498 688**	
'Total revenue from exchange transactions'	59 345 073	(37 191)	**59 307 882**	55 098 791	**(4 209 091)**	
'Total revenue from non-exchange transactions'	214 016 699	(29 524)	**213 987 175**	343 485 863	**129 498 688**	
Total revenue	**273 361 772**	**(66 715)**	**273 295 057**	**398 584 654**	**125 289 597**	
Expenditure						
Personnel	90 733 241	1 322 095	**92 055 336**	(105 758 239)	**(197 813 575)**	
Remuneration of councillors	14 288 147	-	**14 288 147**	(13 349 906)	**(27 638 053)**	
Depreciation and amortisation	7 500 000	89 084 300	**96 584 300**	(96 347 442)	**(192 931 742)**	
Finance costs	-	-	**-**	(761 712)	**(761 712)**	
Debt impairment	18 891 200	-	**18 891 200**	(23 331 270)	**(42 222 470)**	
Repairs and maintenance	17 087 000	(2 405 142)	**14 681 858**	(11 614 108)	**(26 295 966)**	
Bulk purchases	32 350 897	6 789 034	**39 139 931**	(34 282 175)	**(73 422 106)**	
Contracted Services	24 085 000	(862 000)	**23 223 000**	(40 450 415)	**(63 673 415)**	
General expenses	61 350 029	(19 953 000)	**41 397 029**	(57 211 503)	**(98 608 532)**	
Total expenditure	**266 285 514**	**73 975 287**	**340 260 801**	**(385 458 638)**	**(725 719 439)**	
	539 647 286	73 908 572	**613 555 858**	13 126 016	**(600 429 842)**	
	-	-	**-**	-	**-**	
Surplus	**539 647 286**	**73 908 572**	**613 555 858**	**13 126 016**	**(600 429 842)**	
Deficit before taxation	539 647 286	73 908 572	**613 555 858**	13 126 016	**(600 429 842)**	
Taxation	-	-	**-**	-	**-**	

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 (note 54)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**539 647 286**	**73 908 572**	**613 555 858**	**13 126 016**	**(600 429 842)**	

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 (note 54)
Statement of Financial Position						
Assets						
Current Assets						
Inventories	400 000	-	**400 000**	2 577 294	**2 177 294**	
Investments	15 534 999	(114 000)	**15 420 999**	19 107 082	**3 686 083**	
Consumer Deposits	18 809 576	32 427 000	**51 236 576**	61 184 559	**9 947 983**	
Cash and cash equivalents	35 735 669	(11 185 669)	**24 550 000**	2 437 458	**(22 112 542)**	
	70 480 244	**21 127 331**	**91 607 575**	**85 306 393**	**(6 301 182)**	
Non-Current Assets						
Investment property	20 179 500	-	**20 179 500**	19 142 500	**(1 037 000)**	
Property, plant and equipment	816 932 934	6 316 204	**823 249 138**	763 371 268	**(59 877 870)**	
	837 112 434	**6 316 204**	**843 428 638**	**782 513 768**	**(60 914 870)**	
Non-Current Assets	70 480 244	21 127 331	**91 607 575**	85 306 393	**(6 301 182)**	
Current Assets	837 112 434	6 316 204	**843 428 638**	782 513 768	**(60 914 870)**	
	-	-	**-**	-	**-**	
Total Assets	**907 592 678**	**27 443 535**	**935 036 213**	**867 820 161**	**(67 216 052)**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	31 008 497	(13 364 000)	**17 644 497**	128 879 544	**111 235 047**	
Non-Current Liabilities						
Borrowings	101 000	-	**101 000**	228 789	**127 789**	
Provisions	12 562 293	-	**12 562 293**	5 263 749	**(7 298 544)**	
	12 663 293	**-**	**12 663 293**	**5 492 538**	**(7 170 755)**	
Assets	907 592 678	27 443 535	**935 036 213**	867 820 161	**(67 216 052)**	
Liabilities	(43 671 790)	13 364 000	**(30 307 790)**	(134 372 082)	**(104 064 292)**	
Net Assets	**863 920 888**	**40 807 535**	**904 728 423**	**733 448 079**	**(171 280 344)**	
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	26 181 087	-	**26 181 087**	24 046 763	**(2 134 324)**	
Accumulated surplus	856 597 257	89 084 300	**945 681 557**	684 936 588	**(260 744 969)**	
Total Net Assets	**882 778 344**	**89 084 300**	**971 862 644**	**708 983 351**	**(262 879 293)**	

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, guidlines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

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

Impairment testing

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

Value in use of cash generating assets

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

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Accounting Policies

1.2 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 16 Provisions.

Useful lives of property, plant and equipment and intangible assets

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

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. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Effective interest rate

The municipality used the government bond rate to discount future cash flows except where stated otherwise.

Allowance for impairment

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

1.3 Investment property

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

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

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

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

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

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

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value every 4 years, refer to notes to the annual financial statements on investment property.

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 municipality 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 reliably 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).

Once the municipality becomes able to measure reliably 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 service potential are expected from its disposal.

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

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment are initially recognised at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at 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.

Accounting Policies

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

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

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

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

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except land which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

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

The revaluation surplus in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus when the asset is derecognised.

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

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

Item	Average useful life
Land	Indefinite
Buildings	10 - 50 years
Community	10 - 50 years
Infrastructure	15 - 80 years
Landfill site	20 years
Other property, plant and equipment	2 - 35 years
• Vehicles	
• Furniture	
• Leased assets	

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

1.5 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.6 Financial instruments

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

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Long-term receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Accounting Policies

1.6 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

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

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

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest 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 in the case of a financial asset.

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

Accounting Policies

1.6 Financial instruments (continued)

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

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

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.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.7 Leases

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

Accounting Policies

1.7 Leases (continued)

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

Finance leases - lessor

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

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

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 recognised separately as an expense 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. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

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.

Any contingent rents are recognised separately as revenue in the period in which they are received.

Operating leases - lessee

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

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

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

1.8 Inventories

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

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

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

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

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

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

Accounting Policies

1.8 Inventories (continued)

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

Water is regarded as inventories when the municipality purchases water in bulk with the intention to resell it to consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc). However, water in water dams under the control of the municipality, that are filled by natural resources and that has not yet been treated, can not be measured reliably as there is no cost attached to the water, and it is therfore not recognised as inventories.

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.

1.9 Non-current assets held for sale and disposal groups

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

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

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

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

1.10 Impairment of cash-generating assets

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

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

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.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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 uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.11 Impairment of non-cash-generating assets

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

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

Identification

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

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

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

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

Accounting Policies

1.12 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

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

Accounting Policies

1.12 Employee benefits (continued)

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the municipality attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, the municipality attributes benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.12 Employee benefits (continued)

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.

Long-term service awards

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

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

The amount recognised as a liability for long-term service awards is the net total of the following amounts:
the present value of the defined benefit obligation at the reporting date;
- 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

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

Accounting Policies

1.12 Employee benefits (continued)

Termination benefits

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

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

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

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

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

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating expenditure.

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

Accounting Policies

1.13 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:

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

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

A contingent liability:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

Accounting Policies

1.13 Provisions and contingencies (continued)

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;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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.

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

1.14 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.

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.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

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

Interest

Revenue arising from the use by others of municipality assets yielding interest is recognised when:

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

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

1.15 Revenue from non-exchange transactions

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

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

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

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.

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Recognition

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

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

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

Measurement

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

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.

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

Fines

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

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, 20% of the fine's value will be recognised as revenue for the municipality.

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- It is probable that economic benefits or service potential associated with the transacton will flow to the municipality
- the amount of revenue can be reliably measured
- to te extent that there has been compliance with the relevant legal requirements.

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.16 Borrowing costs

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

1.17 Value Added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No.89 of 1991).

1.18 Comparative figures

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

1.19 Unauthorised expenditure

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

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 Irregular expenditure

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

Accounting Policies

1.21 Irregular expenditure (continued)

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

1.22 Grants in aid

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

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

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

1.23 Commitments

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

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

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

1.24 Budget information

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

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

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

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

1.25 Related parties

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

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

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

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

1.26 Commitments

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

Accounting Policies

1.26 Commitments (continued)

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

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

1.27 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identidfied:
- those that provide evidence of conditions that existed at the reporting (adjusting events after the reporting date);
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting events after the reporting date have been accounted for in the annual financial statements and non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements. Refer to note 49.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 25: Employee Benefits

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

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

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

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

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

All amendments to be applied retrospectively.

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

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

The impact of the standard is not material.

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

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

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

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

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

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

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

The impact of the amendment is not material.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 7 (as revised 2012): Investments in Associates

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

All amendments to be applied prospectively.

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

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

The impact of the amendment is not material.

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

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

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

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

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

All amendments to be applied prospectively.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The impact of the amendment is not material.

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

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

All amendments to be applied prospectively.

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

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

The impact of the amendment is not material.

GRAP 27 and GRAP 31 (as revised 2012)

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

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

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

This interpretation now addresses the manner in which the municipality applies the probability test on initial recognition of both:

(a) exchange revenue (GRAP 9); and
(b) non-exchange revenue (GRAP 23).

All amendments to be applied prospectively.

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

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

The implementation of IGRAP 1 has been effected in the 2014 financial period as disclosed in note 38.

IGRAP 16: Intangible Assets - Website Costs

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

Interpretation to be applied retrospectively.

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

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

The impact of the interpretation is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 Junly 2015 or later periods:

GRAP 105: Transfers of functions between entities under common control

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

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

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

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

The effective date of this standard is for the years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

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

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

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

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

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

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

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

The effective date of this standard is for the years beginning on or after 01 April 2015.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

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

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the conbining entities do not have any control over the combined entity.

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

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

The effective date of this standard is for the years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

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

GRAP 20: Related Parties

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

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

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

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

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

- control;
- related party transactions; and
- remuneration of management.

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

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

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

GRAP 108: Statutory Receivables

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

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

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

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

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

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

The expected impact of the standard is dislosed under the notes to the financial statements.

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

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

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

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

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

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

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

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

All amendments to be applied prospectively.

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

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

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

GRAP 100 (revised 2013): Discontinued Operations

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

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

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 18: Segment Reporting

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

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

The standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance and will be adopted once it becomes effective.

The municipality expects to adopt the standard for the first time in the year that it becomes effective.

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

Figures in Rand	2014	2013

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 117	1 117
Bank balances	2 436 341	1 194 007
	2 437 458	**1 195 124**

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
Standard Bank - Current account - 033255954	2 437 458	1 215 545	2 568 446	2 437 458	1 195 124	2 330 971

4. Receivables from exchange transactions

Gross balances		
Water	9 678 745	7 767 121
Refuse	39 259 543	34 070 959
Sewerage	40 329 960	35 077 096
Electricity	15 862 090	14 943 823
Other	15 599 633	15 446 456
	120 729 971	**107 305 455**
Less: Allowance for impairment		
Water	(6 657 374)	(4 982 028)
Refuse	(28 355 814)	(27 067 440)
Sewerage	(29 069 898)	(27 729 936)
Electricity	(10 429 666)	(11 781 693)
Other	(11 462 370)	(11 643 834)
	(85 975 122)	**(83 204 931)**
Net balance		
Water	3 021 371	2 785 094
Refuse	10 903 729	7 003 518
Sewerage	11 260 062	7 347 160
Electricity	5 432 424	3 162 130
Other	4 137 263	3 802 621
	34 754 849	**24 100 523**
Electricity		
Current (0 -30 days)	1 201 280	743 256
31 - 60 days	644 794	255 394
61 - 90 days	436 732	228 858
> 90 days	13 579 285	13 716 315
Less : Allowance for impairment	(10 429 667)	(11 781 693)
	5 432 424	**3 162 130**

Figures in Rand	2014	2013

4. Receivables from exchange transactions (continued)

Water		
Current (0 -30 days)	334 289	1 695 536
31 - 60 days	357 187	162 976
61 - 90 days	254 916	169 479
> 90 days	8 732 353	5 739 131
Less : Allowance for impairment	(6 657 374)	(4 982 028)
	3 021 371	**2 785 094**
Sewerage		
Current (0 -30 days)	668 918	716 177
31 - 60 days	595 151	488 359
61 - 90 days	549 373	476 012
> 90 days	38 516 518	33 396 547
Less: Allowance for impairment	(29 069 898)	(27 086 761)
	11 260 062	**7 990 334**
Refuse		
Current (0 -30 days)	604 791	508 189
31 - 60 days	548 491	460 506
61 - 90 days	516 191	451 287
> 90 days	37 590 070	32 650 976
Less : Allowance for impairment	(28 355 814)	(27 067 440)
	10 903 729	**7 003 518**
Other		
Current (0 -30 days)	99 147	1 012 854
31 - 60 days	96 659	74 137
61 - 90 days	87 583	72 975
> 90 days	15 316 245	14 286 489
Less : Allowance for impairment	(11 462 371)	(11 643 834)
	4 137 263	**3 802 621**

Consumer receivables pledged as security

None of the consumer receivables were pledged as security

None of the financial assets that are fully performing have been renegotiated in the prior year.

Credit quality of receivables from exchange and non exchange transactions

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

The municipality does not hold any collateral as security.

Receivables from exchange transactions past due but not impaired

Trade and other receivables from exchange transactions in respect of government debtors are not considered to be impaired for 2014 . At 30 June 2014, R 20 504 599 (2013: R 5 616 402) were past due but not impaired.

Figures in Rand	2014	2013

4. Receivables from exchange transactions (continued)

Receivables from exchange transactions impaired

As of 30 June 2014, receivables from exchange transactions of R 101 877 434 (2013: R 101 689 053) were impaired and provided for.

The amount of the allowance was R 85 975 122 as of 30 June 2014 (2013: R 83 204 931).

The ageing of these receivables is as follows:

5. Receivables from non-exchange transactions

Property rates	218 507 104	189 951 620
Staff debtors	-	8 282
Less: Allowance for impairment	(157 575 107)	(149 297 764)
	60 931 997	**40 662 138**
Gross balance		
Property rates	218 507 104	189 951 620
Staff debtors	-	8 282
	218 507 104	**189 959 902**
Less: Allowance for impairment		
Property rates	(157 575 107)	(149 289 482)
Staff debtors	-	(8 282)
	(157 575 107)	**(149 297 764)**
Net balance		
Property rates	60 931 997	40 662 138
Property Rates		
Current (0-30 days)	3 445 133	6 188 323
31 - 60 days	3 302 995	3 023 367
61 - 90 days	3 182 286	3 009 699
> 90 days	208 576 690	177 738 513
Less: Allowance for impairment	(157 575 107)	(149 297 764)
	60 931 997	**40 662 138**
Staff Debtors		
> 90 days	-	8 282
Less: Allowance for impairment	-	(8 282)
	-	**-**
Total		
Current (0-30 days)	3 445 133	6 188 323
31 - 61 days	3 302 995	3 023 367
61 - 90 days	3 182 286	3 009 699
> 90 days	208 576 690	177 738 514
Less: Allowance for impairment	(157 575 107)	(147 399 287)
	60 931 997	**42 560 616**

Figures in Rand	2014	2013

5. Receivables from non-exchange transactions (continued)

Consumer receivables pledged as security

None of the consumer receivables were pledged as security

None of the financial assets that are fully performing have been renegotiated in the prior year.

Credit quality of receivables from exchange and non exchange transactions

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

The municipality does not hold any collateral as security.

Receivables from non-exchange transactions impaired

As of 30 June 2014, receivables from non-exchange transactions of R 218 507 104 (2013: R 189 959 902) were impaired and provided for.

The amount of the allowance for impairment was R 157 575 107 as of 30 June 2014 (2013: R 149 297 764).

6. Inventories

Consumables	2 487 622	1 620 846
Water	89 672	94 265
	2 577 294	**1 715 111**
Reconciliation of inventory movement:		
Opening balance	1 715 111	130 684
Purchases	862 183	1 584 427
Closing balance	**2 577 294**	**1 715 111**

Inventory pledged as security

At year-end no assets have been pledged as security.

7. Investments

Unlisted investments at amortised cost		
RMB Momentum - Account number RU 500434741 End date indefinite	194 572	179 679
Sanlam: Guarantee Capital Fund - Policy number 9921774X7 End date: cover at death	76 391	72 669
Stanlib classic investment plan - Account number IP0006247 End date indefinite	477 907	448 347
Standard Bank Call Account - Account Number 38478668002 End date indefinite	253 745	19 028
Stanlib extra income fund - Account number IP0006247 End date indefinite	1 614 884	-
Standard Bank Call Account - Account number 308654552 End date indefinite	15 942 852	122 270
	18 560 351	**841 993**
Listed investments at fair value		
Listed shares	817 694	609 132

Figures in Rand	2014	2013
7. Investments (continued)		
Financial Assets at fair value	18 560 351	841 993
	817 694	609 132
Financial Assets at amortised cost	-	-
Non-current assets		
At amortised cost	270 963	252 348
Current assets		
At amortised cost	18 289 388	589 645
Listed investment at fair value	817 694	609 132
	19 107 082	**1 198 777**
Non-current assets	270 963	252 348
Current assets	19 107 082	1 198 777

Fair value information

The following classes of financial assets are carried at fair value:
- Listed shares

The municipality owns 13,242 shares in Sanlam Limited which was trading at R 61.75 (2013: R 46,00) per share at each reporting period.

Renegotiated terms
None of the financial assets that are fully performing have been renegotiated in the last year.

The municipality has not reclassified any financial asset from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Credit qualtiy of investments

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

8. Operating lease asset

Operating lease asset		
Straight lining of operating lease	261 864	24 244

Operating lease asset represent rentals receivable by the municipality for premises/properties rented out. The lease was negotiated for periods ranging from 36 months to 119 months. The rentals escalate on average between 5% and 10% per annum.

Operating lease as lessor	**2014**	**2013**
Within one year	280 245	58 915
In the second to fifth year inclusive	209 640	215 759
After five years	-	6 205
	489 885	**280 879**

Figures in Rand	2014	2013

9. VAT receivable (payable)

VAT	(1 333 974)	1 567 137

VAT is payable on the cash basis. VAT is paid over to the SARS only once payment is received from receivables.
All VAT returns were submitted throughout the year.

10. Investment property

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Industrial and residential units	19 142 500	-	19 142 500	18 345 000	-	18 345 000

Reconciliation of investment property - 2014

	Opening balance	**Transfers**	**Total**
Industrial and residential units	18 345 000	797 500	19 142 500

Reconciliation of investment property - 2013

	Opening balance	**Total**
Industrial and residential units	18 345 000	18 345 000

Pledged as security

At year end no assets have been pledged as security.

Details of property

Investment properties mainly consists of industrial and residensial units.

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

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2012. The first supplementary was implemented on 1 May 2013. Interim valuations are processed on a quaterly basis to take into account changes in individual property values due to alterations. The valuation were performed by an independent valuer, Sechele Property Developers and Valuers are not connected to the municipality. The valuation was based on open market value for existing use.

No interim valuations were performed during the current financial year.

Amounts recognised in surplus and deficit for the year.

Rental revenue from investment property	575 379	424 276

11. 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	51 924 500	-	51 924 500	52 722 000	-	52 722 000
Buildings	17 149 909	(2 839 136)	14 310 773	17 149 909	(2 223 834)	14 926 075
Infrastructure	1 073 322 127	(546 136 064)	527 186 063	956 370 763	(452 971 188)	503 399 575
Community	39 860 785	(4 126 854)	35 733 931	23 472 490	(3 101 465)	20 371 025
Infrastructure work in progress	105 966 976	-	105 966 976	103 024 008	-	103 024 008
Landfill site	14 549 560	(1 459 941)	13 089 619	14 549 560	(1 224 445)	13 325 115
Other property, plant and equipment	21 454 316	(6 294 910)	15 159 406	21 039 701	(5 447 393)	15 592 308
Total	**1 324 228 173**	**(560 856 905)**	**763 371 268**	**1 188 328 431**	**(464 968 325)**	**723 360 106**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Total**
Land	52 722 000	-	-	(797 500)	-	51 924 500
Buildings	14 926 075	-	-	-	(615 302)	14 310 773
Infrastructure	503 399 575	20 597 452	-	96 353 913	(93 164 877)	527 186 063
Community	20 371 025	16 388 295	-	-	(1 025 389)	35 733 931
Infrastructure work in progress	103 024 008	99 296 881	-	(96 353 913)	-	105 966 976
Landfill site	13 325 115	-	-	-	(235 496)	13 089 619
Other property, plant and equipment	15 592 308	1 541 438	(672 793)	-	(1 301 547)	15 159 406
	723 360 106	**137 824 066**	**(672 793)**	**(797 500)**	**(96 342 442)**	**763 371 268**

Figures in Rand	2014	2013

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation & Impairment	Total
Land	57 589 700	-	(4 867 700)	-	-	52 722 000
Buildings	15 541 378	-	-	-	(615 303)	14 926 075
Infrastructure	556 299 240	13 138 408	-	25 001 512	(91 039 585)	503 399 575
Community	20 991 318	-	-	-	(620 293)	20 371 025
Infrastructure work in progress	46 441 186	86 210 794	-	(29 627 972)	-	103 024 008
Landfill site	9 321 470	-	-	4 626 462	(622 817)	13 325 115
Other property, plant and equipment	16 272 818	930 088	-	-	(1 610 598)	15 592 308
	722 457 110	**100 279 290**	**(4 867 700)**	**-**	**(94 508 596)**	**723 360 106**

Pledged as security

At year-end no assets have been pledged as security.

Revaluations

The effective date of the revaluations of land was 30 June 2012. Revaluations were performed by an independent valuer, Valuers Arica (Pty) Ltd. Valuers Africa (Pty) Ltd are not connected to the municipality.

These assumptions were based on current market conditions

Assets subject to finance lease (Net carrying amount)

IT equipment	255 849	532 149

Details of Property, plant and equipment

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.

Transfers of Property, plant and equipment

Infrastructure Work-in-Progress was completed and capitalised to Infrastructure and Community via a transfer. Land which met the recognition criteria of Investment Property was transfered as such during the 2014 financial year.

12. Non-current assets held for sale

Property, plant and equipment	2 738 000	2 738 000

The municipality decided to dispose of some stands. At year end these disposals were not completed.

The disposal are expected to be completed by 30 June 2015.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

13. Payables from exchange transactions

1 % social responsibility	4 067 287	2 331 098
Accrual - leave pay	8 659 444	7 031 896
Accrual - thirteenth cheque	2 258 299	2 127 233
Consumer deposits	560 750	570 295
Retentions	12 619 659	8 881 091
Closure cost liability	7 472 000	5 120 131
Suspense accounts	161 029	191 906
Trade payables	76 680 632	61 293 297
Income received in advance	15 405 013	5 922 868
Unallocated deposits	995 431	435 419
	128 879 544	**93 905 234**

Consumer deposits
Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

Closure cost liability
Badplaas, Carolina and Mpuluzi landfill sites are operating without a license and by law are obligated to be closed and restored to its original state within the following year.

Badplaas	2 438 090	2 312 013
Carolina	3 265 545	1 140 621
Mpuluzi	1 768 365	1 667 497
	7 472 000	**5 120 131**

14. Finance lease obligation

Minimum lease payments due		
- within one year	622 331	571 316
- in second to fifth year inclusive	155 712	481 200
- later than five years	16 298	59 758
	794 341	1 112 274
less: future finance charges	(168 633)	(460 590)
Present value of minimum lease payments	**625 708**	**651 684**
Present value of minimum lease payments due		
- within one year	496 390	267 600
- in second to fifth year inclusive	113 963	335 044
- later than five years	15 355	49 040
	625 708	**651 684**
Non-current liabilities	228 789	384 084
Current liabilities	396 919	267 600
	625 708	**651 684**

The average lease term is 3 years and the average effective borrowing rate is 9%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

Refer to note 11 for the carrying value of assets held under a finance lease.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

15. Unspent conditional grants and receipts

Please also refer note 23.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Arts and Culture	199 666	199 666
Department of Energy	-	568 835
Department of Local Government	228 831	228 831
Department of Water Affairs	-	354 473
Expanded Public Work Program	34 019	34 019
LG SETA Grants	13 505	-
Municipal Infrasture Grant	40 315 859	-
	40 791 880	**1 385 824**

Movement during the year

Balance at the beginning of the year	1 385 824	4 118 566
Additions during the year	163 402 394	106 500 731
Income recognition during the year	(123 996 338)	(109 233 473)
	40 791 880	**1 385 824**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

15. Unspent conditional grants and receipts (continued)

Current liabilities	40 791 880	1 385 824

Financial management grant

Balance unspent at the beginning of the year	-	708 434
Current year receipts	1 550 000	1 250 000
Conditions met - transferred to revenue	(1 550 000)	(1 958 434)
	-	**-**

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

Expanded Public Work Program

Balance unspent at the beginning of the year	34 019	-
Current year receipts	3 785 000	1 386 000
Conditions met - transferred to revenue	(3 785 000)	(1 351 981)
	34 019	**34 019**

The grant is intended to fund bulk, connector and internal infrastructure of water services at a basic level of service.

Department of Local Government

Balance unspent at the beginning of the year	228 832	228 832

The grant is intended for the construction of the ring in Silobela which by the funded by the department of Local government and Traditional Affairs

Department of Water Affairs

Balance unspent at the beginning of the year	354 473	-
Current year receipts	12 260 000	8 145 000
Conditions met - transferred to revenue	(12 614 473)	(7 790 527)
	-	**354 473**

The grant is intended to fund bulk, connector and internal infrastructure of water services at a basic level of service.

Department of Arts and Culture

Balance unspent at the beginning of the year	199 666	199 666

The grant is intended to improve the social economic situation

Department of Energy

Balance unspent at the beginning of the year	568 835	-
Current year receipts	10 500 000	16 200 000
Conditions met - transferred to revenue	(11 068 835)	(15 631 165)
	-	**568 835**

The grant is intended to fund Energy efficient lighting technologies in municipal building, street and traffic lighting infrastructure.

Municipal Infrastrasture Grant

Current year receipts	134 257 000	77 236 000
Conditions met - transferred to revenue	(93 941 141)	(77 236 000)
	40 315 859	**-**

LG SETA Grants

Current year receipts	160 394	-

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

15. Unspent conditional grants and receipts (continued)

Conditions met - transferred to revenue	(146 889)	-
	13 505	**-**

The grant is intended for sending the staff of municipality for training by the corporate service

Department of Human Settlement

Balance unspent at the beginning of the year	-	1 423 731
Current year receipts	-	(1 423 731)
	-	**-**

The grant is intended to fund the project of upgrading and refurbishing of existing water treatment plant at Eesterhoek.

Development bank of South Africa

Balance unspent at the beginning of the year	-	173 157
Conditions met - transferred to revenue	-	(173 157)
	-	**-**

Municipal system improvement grant

Current year receipts	890 000	860 000
Conditions met - transferred to revenue	(890 000)	(860 000)
	-	**-**

The grant intended to assist the Municipality in building in house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal systems Act and related legislation, policies and local government turnaround strategy

Accelerated Community infrastructure programme

Current year receipts	-	2 808 477
Conditions met - transferred to revenue	-	(2 808 477)
	-	**-**

The grant is intended to fund the development of the package plant and AC pipes for Silobela.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

16. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Reversed during the year	Total
Provision for rehabilitation	4 992 503	297 948	(26 702)	5 263 749
Legal proceedings	30 000	-	(30 000)	-
	5 022 503	**297 948**	**(56 702)**	**5 263 749**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Provision for rehabilitation	4 709 909	282 594	4 992 503
Legal proceedings	-	30 000	30 000
	4 709 909	**312 594**	**5 022 503**

Non-current liabilities	5 263 749	4 992 503
Current liabilities	-	30 000
	5 263 749	**5 022 503**

Provision for rehabilitation:

The municipality engages in waste disposal operations from residential and business areas within the following area:
- Ekukwatini landfill

Elukwatini landfill site is required from the entity to execute an environmental management program to restore the landfill sites after its useful life.
The expected cash flows will be over the next 20 years entailing three components

- Pre closure costs
- Rehabilitation and closure costs
- Post-closure monitoring and maintenance costs (aftercare)

The Elukwatini waste disposal facility is permitted and its classification is G:C:B-

Figures in Rand	2014	2013

17. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Medical scheme arrangements
The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Contribution rate structure
Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Subsidy arrangements
There are no current subsidy policy used. Therefore the guidelines as set by the South African Local Government Association (SALGA) in Resolution 8 (Post-retirement Medical Aid Subsidies) were applied for valuation purposes

The municipality has agreed to subsidise the medical aid contributions of retired members in the following way:
- All new pensioners will receive a 60% subsidy subject to the maximum of R 3,618.04 for the 2014 (R3,557.65 in 2013)
- Continuation members that were retired prior to the introduction of the current policy will continue to receive a 70% subsidy.
- The maximum subsidy is expected to increase at 50% of inflation.

However, pensioners that are currently receiving a PRMA benefit do not match the SALGA policy in terms of the subsidy percentage. Therefore, it was decided that the current pensioners will be valued based on the actual subsidy that they are currently receiving, which is either a 70% or 100% subsidy of their total monthly medical aid contribution, based on the data provided. In addition, the subsidy payable is not limited to a maximum for pensioners.

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(12 196 745)	(10 988 000)

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

Opening balance	10 988 000	10 606 168
Service cost	40 000	51 841
Interest cost	842 000	558 745
Benefits paid	(698 745)	(644 108)
Actuarial (gains) losses	71 745	415 354
	12 196 745	**10 988 000**

Net expense of the defined benefit obligation recognised in the statement of financial performance

Current service cost	40 000	51 841
Interest cost	842 000	558 745
Actuarial (gains) losses	71 745	415 354
	953 745	**1 025 940**

Figures in Rand	2014	2013

17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Real discount rate	8.94 %	7.89 %
Consumer price inflation	7.05 %	6.14 %
Expected increase in salaries	- %	- %
Net effective discount rate	0.82 %	0.70 %
Medical aid contribution inflation	8.05 %	7.14 %

Discount Rate
GRAP 25 defines the determination of the discount rate assumption to be used as the rate that can be determined by reference to market yields at the financial position date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at financial position date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations.

The discount rate was therefore set as the yield of the R 209.00 South African government bond as the valuation date. In the event that the valuation is performed prior to the effective valuation date. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations. The actual yield on the R209.00 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

Medical Aid Inflation
The medical aid inflation rate was reference to the past relationship between CPI and medical aid contribution rate inflation. We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationhip between current conventional bond yields (R 209.00) and current index-linked yields (R 202.00).

South Africa has experienced high health care cost inflation in recent years. The annaulised compound rates of increase for the last ten years show that registered medical schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not think that these increases are sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1%.

Average Retirement Age
The average retirement age for all active employees was assumed to be 63 years. This assumption implicity allows for ill-health and early retirements.

Figures in Rand	2014	2013

17. Employee benefit obligations (continued)

Other assumptions

The increase of 1% p.a. change in the normal salary inflation assuption is as follow:	**One percentage point increase**	**Current valuation percentage**	**One percentage point decrease**
Defined benefit obligation	12 337 000	11 243 000	10 274 000
Interest cost	1 071 000	974 000	887 000
Service cost	14 000	14 000	13 000
	13 422 000	**12 231 000**	**11 174 000**

The service cost in the above table represents the increase in the liability due to the additional years of service accrued by the active members. For the base cost, where the assumption is made that the "gap" ("real discount rate") was 1 %, it is projected that service cost of R51 841 will be incurred. It should be noted that pensioners are not included in this figure since they do not accrue any extra years of service.

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

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

	2014	**2013**	**2012**	**2011**
Present value of obligation	11 243 000	10 988 000	10 606 168	10 580 607

18. Revaluation reserve

The effective date of the revaluations were 30 June 2012. Revaluations were performed by an independant valuer, Valuers Africa (Pty) Ltd. Valuers Africa (Pty) Ltd are not connected to the municipality

The assumptions were based on current market conditions

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.

Opening balance	24 046 763	24 046 763

19. Long service award liability

As per government gazette an employee shall qualify for long service rewards in terms of leave days credits for the various periods of continuous service completed at the same employer as follows:
All new pensioners will receive a 60% subsidy subject to the maximum of R 3,618.04 (R3,557.65 in 2013)

- After 10 years of service - 10 working days
- After 15 years of service - 20 working days
- After 20 years of service - 30 working days
- After 25 years of service - 30 working days
- After 30 years of service - 30 working days
- After 35 years of service - 30 working days
- After 40 years of service - 30 working days
- After 45 years of service - 30 working days

The leave mentioned may be wholly or partially converted on the date on which an employee qualified or at any stage thereafter.

Long service benefits are awarded in the form of a number of leave days awarded once the employee completes a certain number of years in service.

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

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

19. Long service award liability (continued)

Valuation of assets		
Carrying value		
Present value	4 031 000	3 811 000
Changes in present value		
Opening balance	3 811 000	2 972 000
Current service cost	503 000	372 000
Interest cost	292 000	245 000
Benefits paid	(224 701)	(122 908)
Actuarial loss/(gain)	(350 299)	344 908
	4 031 000	**3 811 000**
Net expense recognised in the statement of financial performance		
Current service cost	503 000	372 000
Interest cost	292 000	245 000
Actuarial gain/(loss)	(350 299)	344 908
	444 701	**961 908**
Key assumptions		
Discount rate	7.96 %	7.40
Consumer price inflation	6.33 %	5.66 %
Salary increase rate	7.33 %	6.66 %
Net effective discount rate	0.59 %	0.69 %
	-	**-**

The effect of 1% p.a. change in the normal salary inflation assumption is as follow:	**One percentage point increase**	**Current valuation percentage**	**One percentage point decrease**
Total accrued liability	4 400 000	4 031 000	3 704 000
Current service cost	572 000	513 000	462 000
Interest cost	358 000	327 000	299 000
	5 330 000	**4 871 000**	**4 465 000**

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

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

The amounts for the current annual reporting period and previous reporting period:		
Present value of obligation	4 031 000	3 811 000

Figures in Rand	2014	2013

20. Revenue

Donations	20 497 884	10 732 760
Fines	495 161	194 214
Government grants & subsidies	293 361 741	268 343 473
Interest received	18 256 310	16 058 562
Interest received - investment	1 238 360	1 758 010
Administration and management fees received	1 805 692	1 257 078
Licences and permits	2 307 245	1 863 030
Dividends received	-	6 884
Property rates	29 131 077	31 158 134
Rental of facilities and equipment	784 644	427 476
Service charges	30 706 540	29 442 567
Disposal of assets	668 843	-
	399 253 497	**361 242 188**

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

Interest received - investment	1 238 360	1 758 010
Interest received	18 256 310	16 058 562
Licences and permits	2 307 245	1 863 030
Administration and management fees received	1 805 692	1 257 078
Rental of facilities and equipment	784 644	427 476
Service charges	30 706 540	29 442 567
Disposal of assets	668 843	-
Dividends received	-	6 884
	55 767 634	**50 813 607**

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

Taxation revenue		
Property rates	29 131 077	31 158 134
Transfer revenue		
Government grant and subsidies	293 361 741	268 343 473
Donations	20 497 884	10 732 760
Fines	495 161	194 214
	343 485 863	**310 428 581**

21. Service charges

Sale of electricity	16 286 890	17 076 703
Sale of water	4 905 024	2 892 026
Sewerage and sanitation charges	5 007 999	5 257 546
Refuse removal	4 506 627	4 216 292
	30 706 540	**29 442 567**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

22. Property rates

Rates received

Residential	33 803 688	33 238 744
Commercial	15	296
Less: Income forgone	(4 672 626)	(2 080 906)
	29 131 077	**31 158 134**

Valuations

Residential	729 418 800	729 418 800
Commercial	115 055 500	115 055 500
State	143 476 400	143 476 400
Municipal	8 251 370	8 251 370
Agriculture	1 293 547 500	1 293 547 500
Other	285 015 900	285 015 900
	2 574 765 470	**2 574 765 470**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2012. The first supplementary was implemented on 1 May 2013. Interim valuations are processed on an quaterly basis to take into account changes in individual property values due to alterations. The valuation were performed by an independent valuer, Sechele property developers and Valuers are not connected to the municipality.

There were no valuations performed in the current year.

The new general valuation will be implemented on 01 July 2016.

23. Government grants and subsidies

Please also refer note 15.

Operating grants		
Department of Water and Forestry Affairs	12 614 473	7 790 527
Equitable share	169 365 000	159 110 000
	181 979 473	159 110 000
Capital grants		
Accelerated community infrastructure programme	-	2 808 477
Development Bank of South Africa	-	173 157
Department of Energy	11 068 835	15 631 165
Expanded Public Works program	3 785 000	1 351 981
Municipal Infrastructure Grant	93 941 141	77 236 001
Financial Management Grant	1 550 000	1 958 434
Municipal Systems Improvement Grant	890 000	860 000
Department of Human Settlements	-	1 423 731
LG SETA	146 889	-
	111 381 865	2 283 731
	293 361 338	**268 343 473**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. Please also refer note 15.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

24. Investment revenue

Dividend revenue		
Unlisted investments designated at fair value	-	6 884
Interest revenue		
Unlisted Investments at amortised cost	1 238 360	1 758 010

25. Donations received

Donations	20 497 884	10 732 760

Inftrastructure Work-in-Progress was completed and donnated to Infrastructure and Community assets. Details below:
- Chief Albert Luthuli Disaster Management centre (R14,272,584.)
- Refurbishment of Elukwatini and Carolina Stadiums (R1,664,665.)
- Palisade fence Mayflower Community Hall (R451,045.)

26. Rental of facilities and equipment

Facilities	784 644	427 476

27. Other income

Building plan fees	263 538	162 167
Burial fees	71 800	77 097
Certificate clearance	10 294	11 062
Connection services	114 934	212 713
Fire brigade fees	26 710	31 812
Sale of stands	700 255	163 133
Sundry income	215 109	259 882
Tampering of meters	110 223	115 632
Tender deposit	292 829	223 580
Disposal of assets	668 843	-
	2 474 535	**1 257 078**

28. Interest received

Interest - consumers	18 256 310	16 058 562

Figures in Rand	2014	2013

29. Employee related costs

Basic	63 936 528	58 074 999
Bonus	4 809 053	4 721 195
Medical aid	5 030 299	4 013 896
UIF	599 983	543 681
Bargaining council	31 068	28 488
SDL	834 053	780 802
Leave pay accrual	1 627 548	1 856 085
Pension Fund	12 016 097	10 647 843
Provident fund	185 043	107 303
Travel allowances	5 372 802	4 496 149
Overtime payments	5 506 415	4 864 123
Acting allowances	1 752 703	1 862 672
Housing benefits and allowances	719 994	670 912
Actuarial loss/(gain)	(278 554)	760 262
Standby allowances	1 933 407	1 279 933
Telephone allowances	4 800	51 121
Interest	795 000	803 745
Service Cost	882 000	423 841
	105 758 239	**95 987 050**

Remuneration of Municipal Manager: Mpila VN

Annual remuneration	795 865	736 380
Travel allowance	84 421	89 054
Contributions to UIF, medical and pension funds	228 140	212 877
	1 108 426	**1 038 311**

Remuneration of Chief Finance Officer: Mphumuzi Nhlabathi

Annual remuneration	647 431	430 555
Travel allowance	144 805	194 278
Contributions to UIF, medical and pension funds	55 424	91 742
	847 659	**716 575**

Remuneration of Director: Technical Services: MD Mogimogale (2014) GM Matlala (2013)

Annual Remuneration	648 600	357 178
Travel allowance	144 000	80 000
Contributions to UIF, Medical and Pension Funds	54 255	86 930
	846 855	**524 108**

Remuneration as refected for 2014 for Mr MD Mogimogale which was appointed on 8 July 2013.

Remuneration as refected for 2013 is for a period of 5 months due to being discharged in November 2012. Manager of Electrical acted for 7 months from December 2012 to June 2013 and received total remuneration of R206 223

Remuneration of Director: Corporate services: Mndebele SF

Annual Remuneration	622 772	576 601
Travel allowance	79 134	91 605
Contributions to UIF, Medical and Pension Funds	145 195	133 808
	847 101	**802 014**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

29. Employee related costs (continued)

Remuneration of Director: Public Safety: Makgopa KB

Annual Remuneration	613 615	570 327
Travel allowance	52 728	52 728
Contributions to UIF, Medical and Pension Funds	179 690	165 708
	846 034	**788 763**

Remuneration of Director: Community Services: Mkhwanazi ZF

Annual Remuneration	667 458	614 940
Travel allowance	117 600	117 600
Contributions to UIF, Medical and Pension Funds	61 824	56 606
	846 034	**789 146**

Remuneration of Director: Planning and Economic Development: Lukhele TA

Annual Remuneration	709 640	657 979
Travel allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	77 302	71 226
	846 942	**789 205**

30. Remuneration of councillors

Executive mayor	702 564	671 112
Speaker	566 280	540 966
Chief whip	532 157	508 319
Mayoral committee members	1 596 608	1 525 269
Councillors	9 952 297	9 357 243
	13 349 906	**12 602 909**

In-kind benefits

The Executive mayor is provided with a vehicle, driver, secretary and personal assistant at the cost of the Council.

The Chief whip is provided with a personal assistant

The Speaker is provided with secretarial support and a personal assistant

All the full time Mayoral committee members are provided with one secretary.

Members of municipal council should be remunerated within the upper limits as determined by the Department of Cooperative Governance and Traditional Affairs. Any deviations are disclosed as irregular expenditure.

Remuneration of Employees:
The remuneration of the employees and section 57 managers are within the upper limits as determined by the framework envisaged section 219 of the Constitution.

Remuneration of Councillors:
The remuneration of the political office bearers and councillors are within the upper limits as determined by the framework envisaged section 219 of the Constitution.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

30. Remuneration of councillors (continued)

Executive Mayor	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Shiba BP	421 535	169 457	20 868	84 992	5 712	702 564
Total	421 535	169 457	20 868	84 992	5 712	702 564

Speaker	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Nkosi SM	331 475	135 565	20 868	73 748	4 624	566 280
Total	331 475	135 565	20 868	73 748	4 624	566 280

Chief Whip	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Nkosi DP	331 546	127 092	20 868	48 350	4 300	532 156
Total	331 546	127 092	20 868	48 350	4 300	532 156
	331 546	**127 092**	**20 868**	**48 350**	**4 300**	**532 156**

Mayoral Committee	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
Mngomezulu MW	302 979	127 092	20 868	76 917	4 366	532 222
Mnisi NM	318 039	127 092	20 868	61 857	4 332	532 188
QG Thabethe	313 559	127 092	20 868	66 337	4 342	532 198
	934 577	**381 276**	**62 604**	**205 111**	**13 040**	**1 596 608**

30. Remuneration of councillors (continued)

Councillors	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	SDL	Total
NR Cindi	132 618	50 837	20 868	19 340	1 845	225 508
ZM Dludlu	132 618	50 837	20 868	19 340	1 845	225 508
EJ Lubede	132 618	50 837	20 868	19 340	1 845	225 508
ME Maduna	112 671	50 837	20 868	39 287	1 891	225 554
J Makene	132 618	50 837	20 868	19 340	1 845	225 508
NV Makhubelo	132 618	50 837	20 868	19 340	1 845	225 508
STQ Malaza	132 618	50 837	20 868	19 340	1 845	225 508
BM Masuku	132 618	50 837	20 868	19 340	1 845	225 508
JS Mbhele	132 618	50 837	20 868	19 340	1 845	225 508
NI Mdhluli	115 022	50 837	20 868	37 326	1 891	225 944
PP Mhlanga	132 618	50 837	20 868	19 340	1 845	225 508
EB Mkhabela	132 618	50 837	20 868	19 340	1 845	225 508
N Mnisi	132 618	50 837	20 868	19 340	1 845	225 508
TW Motha	132 618	50 837	20 868	19 340	1 845	225 508
JT Motha	132 618	50 837	20 868	19 340	1 845	225 508
SF Mthombeni	132 618	50 837	20 868	19 340	1 845	225 508
A Ngubeni	132 618	50 837	20 868	19 340	1 845	225 508
HG McGinn	88 412	33 891	13 912	12 709	1 231	150 155
NJ Nkabinde	114 344	50 837	20 868	37 614	1 887	225 550
AD Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
FE Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
GJ Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
JS Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
MH Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
MJ Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
NM Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
SJ Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
SZ Nkosi	132 618	50 837	20 868	19 340	1 845	225 508
VL Nkosi	113 923	50 837	20 868	38 035	1 888	225 551
FJ Ntuli	132 618	50 837	20 868	19 340	1 845	225 508
FDM Phakathi	132 618	50 837	20 868	19 340	4 081	227 744
VS Shabangu	286 976	118 620	20 868	67 593	1 845	495 902
NB Sikhakhane	132 618	50 837	20 868	19 340	1 845	225 508
JD Simelani	132 618	50 837	20 868	19 340	1 863	225 526
JP Soko	124 411	50 837	20 868	27 547	1 845	225 508
ML Steenkamp	132 618	50 837	20 868	19 340	1 845	225 508
NG Thomo	132 618	50 837	20 868	19 340	1 845	225 508
J Vilakazi	132 618	50 837	20 868	19 340	1 845	225 508
RG Vilakazi	132 618	50 837	20 868	19 340	1 845	225 508
VV Vilakazi	126 371	50 837	20 868	25 587	1 860	225 523
T E Zwane	132 618	50 837	20 868	19 340	1 845	225 508
TW Zulu	132 618	50 837	20 868	19 340	1 845	225 508
Shabangu LD	139 802	46 601	19 129	-	1 962	207 494
Neethling NE	50 837	16 946	6 956	-	714	75 453
	5 781 789	**2 249 537**	**895 585**	**943 268**	**82 008**	**9 952 297**

31. Debt impairment

	2014	2013
Allowance for impairment	16 301 862	34 216 243
Bad debts written off	7 029 408	-
	23 331 270	**34 216 243**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

32. Repairs and maintenance

Office , furniture, equipment and tools	657 069	2 869 858
Infrustructure assets	10 866 077	12 103 544
Computers	90 962	619 178
Other	-	8 506 918
	11 614 108	**24 099 498**

33. Finance costs

Provisions	271 246	282 595
Trade and other payables	159 290	220 317
Finance leases	331 176	375 520
	761 712	**878 432**

34. Licenses and permits

Business applications	3 117	17 692
Traffic	808 907	804 986
Licenses	1 495 221	1 040 352
	2 307 245	**1 863 030**

35. Bulk purchases

Electricity	34 135 895	31 354 537
Water	146 280	8 218
	34 282 175	**31 362 755**

Electricity distribution losses are based on units purchased per invoices received from Eskom and units sold per prepaid reports and debtors system. It was determind to be R 21,833,330.45 (29,240,403.69 units) for the financial year ending 30 June 2014.

Water distribution losses are estimated per scheme for the financial year ended 2014. Carolina and Badplaas are approximately 5-10% due to leakages as the plants are closely monitored. For the rest of the plants listed below the losses ranges between 20-30%

- Eerstehoek
- Ekulindeni
- Empuluzi
- Methula
- Lusushwana

36. Contracted services

Professional fees	20 710 212	8 842 847
Security services	13 088 844	10 410 434
Water tank services	5 530 821	6 190 329
Standby contractors	892 538	1 204 592
Valuation costs	228 000	615 599
	40 450 415	**27 263 801**

Figures in Rand	2014	2013

37. Depreciation

Buildings	615 302	615 303
Infrastructure	93 164 877	91 039 585
Community	1 025 389	620 293
Landfill site	235 496	622 817
Other property, plant and equipment	1 301 547	1 610 598
	96 342 442	**94 508 596**
Grants paid to ME's	96 342 442	94 508 596
Other subsidies	-	-

38. General expenses

Audit committee fees	418 514	604 201
Advertising	460 191	542 922
External audit fees	3 352 177	3 411 659
Bank charges	361 095	435 562
Cleaning	-	377
Commission paid	19 593	3 886 956
Legal expenses	1 580 326	1 869 542
Consumables	121 545	194 878
Stock adjustment: Water	4 593	(28 664)
Entertainment	365 902	1 450 490
Insurance	1 339 435	964 497
Lease rentals on operating lease	808 316	1 161 582
Magazines, books and periodicals	791 891	682 807
Motor vehicle expenses	7 343 512	8 888 882
Committee cost	3 588 342	2 696 222
MSIG salaries	-	813 147
Spatial Planning	376 092	1 595 295
VIP Toilets not capitalised	11 330 907	9 518 434
Local economic development	205 200	1 012 840
Interview cost	92 682	139 142
Fuel and oil	45 740	159 831
Hostel charges	1 077 444	1 140 964
Other expenses	4 108 279	4 893 524
Postage and courier	1 406 515	1 420 172
Printing and stationery	837 966	1 036 139
Capacity building	1 760 226	1 836 487
License fees	1 531 143	846 301
Staff welfare	16 876	66 570
Subscriptions and publications	422 344	543 295
Chemicals	3 987 754	5 003 633
Telephone and fax	2 380 802	2 428 482
Title deed search fees	-	1 958 434
Training	324 713	1 100 789
Convention bureau	1 245 661	1 338 774
Transport and freight	4 382 976	5 113 166
Uniforms and overalls	1 122 751	751 351
Loss on disposal of assets	-	4 867 700
	57 211 503	**74 346 383**

39. Fines

Court fines	495 161	194 214

The implementation of IGRAP 1 on Traffic Fines has been effected in the 2014 financial period.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

40. Fair value adjustments

Non-current assets held for sale	-	171 000
Investments		
• Investments	208 562	25 080
	208 562	**196 080**

41. Auditors' remuneration

Fees	3 352 177	3 411 659

42. Cash generated from operations

Surplus	21 032 829	34 474 439
Adjustments for:		
Depreciation and amortisation	96 347 442	94 508 594
Gain on sale of assets and liabilities	-	4 867 700
Fair value adjustment	(208 562)	(196 080)
Write off of assets	128 657	-
Debt impairment	16 301 862	34 216 243
Movements in operating lease asset and accruals	-	9 783
Movements in retirement benefit assets and liabilities	475 000	-
Movements in provisions	271 246	1 028 879
Changes in working capital:		
Inventories	(862 183)	(1 584 427)
Investments	-	59 300
Receivables	(54 268 655)	(50 143 982)
Payables from exchange transactions	34 944 310	43 189 843
VAT	2 901 115	(3 061 303)
Leases	-	9 783
Equitable share receivables	39 406 056	(2 732 742)
	156 469 117	**85 697 153**

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Capital	172 811 476	149 990 895

This committed expenditure relates to infrastructure and community assets and will be financed by retained surpluses and external funding.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

44. Contingent liabilities

Litigations in the process against the Municipality relating to civil claims include the following:	**Potential liability**	
Grand Valley Estates (Pty) Ltd	10 000 000	-
Lebea & Maduna	1 200 000	-
Germiston West CC	500 000	-
Magagula	13 648	-
Bigen Africa	5 000 000	-
Sifiso	150 000	-
Gelani Properties	200 000	-
Guzana Attorneys	2 150 000	-
Embuleni Swazi Traditional Council	50 000	-
IFJ Properties	300 000	-
LC van Aswegen	61 839	-
Mathebula	100 000	-
Macberth Attorney	700 000	-
Gristina Mathlala	1 500 000	-
	21 925 487	**-**

44. Contingent liabilities (continued)

Litigation in the process against the Municipality relating to civil claims including the following:

Grand Valley Estates (Pty) Ltd:
As a Municipality, being the organ of state, non-assistance was provided to the plaintiffs in terms of a business opportunity in the form of operating a game reserve and non-assistance in terms of nature conservation protection. There are 25 defendants of which Albert Luthuli is the 8th defendant. The defendants are jointly and severally liable. The probability of the claim being successful is less than 50%. The total potential liability is estimated at R26 680 000 for the municipality only.

Lebea and Maduna Consulting Engineering:
A contractor was appointed to perform consulting work on the water project. Proposals made by the consultant to the Department of Water Affairs were not passed and hence the project was terminated. The probability of the claim being successful is less than 50%. The potential liability is estimated at R1 115 433.

In this matter the service provider was appointed to assist with the revenue collection. It is alleged that at the briefing session they were told that a successful bidder will be the only service provider. Hence when they were told that they will be working with other two service providers they felt that the Municipality is moving away from the initial scope of contract.

An assessment was made that the number of our debtors is very high and one service provider cannot manage to make an impact in a short space of time. Hence it was decided that there should be three service providers in this kind of work.
We have consulted with our attorneys and decided to furnish the Applicant with the required information so in line with the right to access to information.
On the 15th of May 2013 judgement was obtained in their favour, however it was only academic since we had already prepared and submitted the information that was requested.
The potential liability is estimated at R 4 300 000.
The plaintiff's electricity was cut-off due to non-payment and resulted in the plaintiff tampering with the connection to get access to electricity for health reasons. The probability of the claim being successful is less than 50%. The potential liability estimated at R50 000.

Germiston West CC
On this matter the order was granted against municipality on the following groups and the other things to which 7 days was given

Mr Magagula:
As a result of electricity failure, Mr Magagula incurred damages to his property. The probability of the claim being successful is more than 50%. The potential liability is estimated at R13 648. No attorneys were appointed due to the insignificance of the amount.

Bigen Africa:
Debt Collection

Sifiso:
A vehicle driven by an employee of the Municipality collided with the vehicle of a private person. The private person has served the Municipality with a notice in terms of section 3 of the Institution of Legal Proceedings Against the State Act 40 of 2002.

The amount claimed by the private person is R 150 000.

Therefore potential liability is estimated at R 150 000.

Gelani Properties:
Dispute against the municipality over the land surveyor.

Guzana Attorneys:
Registration of Farm No 359 Brakspruit at deed amounting to R 150,000.

The collection of agreed profit from the supplier and the distribution of electricity using Municipal assets by Eskom, amounting to R 2,000,000.00

Embuleni Swazi Traditional Council:
Chuch conviction case.

Figures in Rand	2014	2013

44. Contingent liabilities (continued)
IFJ Properties:
The municipality is in the process of drafting an opposing affidavit.

LC Van Aswegen:
The plaintiff's electricity was cut-off due to non-payment of the bill. The plaintiff is claiming loss of revenue. The probability of the claim being successful is less than 50%. The potential liability is estimated at R42 100.

JM Mathebula:
The plaintiff's electricity was cut-off due to non-payment and resulted in the plaintiff tampering with the connection to get access to electricity for health reasons. The probability of the claim being successful is less than 50%. The potential liability estimated at R50 000.

Macberth Attorney:
Registration of ERF 500 and registration of PTN 48-59 of pending title deeds from deeds office amounting to R 350,000.

Registration of Extention 4 Carolina and registration of ERF 008025 amounting to R 350,000.

Gustina Matlala:
Employee from the Municipality was charged and finale dismissed on various charges and CCMA case against the Municipality.

45. Related parties

Accounting Officer	Refer to note 29
Key management	Refer to note 29
Executive Mayor	Refer to note 30
Speaker	Refer to note 30
Chief Whip	Refer to note 30
Mayoral Committee	Refer to note 30
Councillors	Refer to note 30

No transactions were entered into with related parties to the municipality and close family members during the year.

46. Prior period errors

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

1. Disposal of Land
Derognition of land properties

Adjustment against the opening accumulated surplus / (deficit)	-	(4 867 700)
Adjustments affecting the statement of financial position		
Land	-	(4 867 700)
Adjustments affecting the statement of financial performance		
Disposal of assets	-	4 867 700

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

47. Risk management

Liquidity risk

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

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

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

Credit risk

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

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

Financial instrument	**2014**	**2013**
Receivables from exchange transactions	34 754 849	24 100 523
Receivables from non-exchange transactions	60 931 997	40 662 138
Cash and cash equivalents	2 437 458	1 195 124
Investments	19 107 082	1 198 777

48. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is continued funding by national government for operational and capital activities.

49. Events after the reporting date

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations

The accounting officer declared that all Irregular, fruitless and wasteful expenditure was condoned by a Council Resolution dated 31 July 2014.

50. Unauthorised expenditure

Unauthorised expenditure	-	9 058 778

51. Fruitless and wasteful expenditure

Opening balance	894 472	674 155
Eskom - interest	561 006	170 173
Auditor General - interest	13 177	48 590
Trade and other payables - interest	5 745	1 554
Department of Labour	59 706	-
SARS	1 185 487	-
Telkom	1 495	-
MCPF	166	-
SALAPF	41 556	-
	2 762 810	**894 472**

Figures in Rand	2014	2013

51. Fruitless and wasteful expenditure (continued)

The total fruitless and wasteful expenditure relates to prior period and current year was condoned by council 31 July 2014.

52. Irregular expenditure

Opening balance	80 701 085	63 789 505
Add: Irregular Expenditure - current year	67 573 411	16 911 580
	148 274 496	**80 701 085**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
I@ Consulting (Pty) Ltd - Updating the Asset Register from 2009 to date	None	2 750 131
Nanati Civil Works (Pty) Ltd - Construction of Mahoco Road (6.5km)	None	34 407 425
Vuka Magagula Trading and Projects (Pty) Ltd - Construction of Nhlazatshe Road (2.5km)	None	7 427 241
GPTN Trading (Pty) Ltd - Construction of Mpuluzi Water Scheme	None	4 436 320
Zondle Trading (Pty) Ltd - Construction of Mooiplaas Road (5.5km)	None	18 552 294
		67 573 411

Details of irregular expenditure condoned on 31 July 2014

	Condoned by (condoning authority)	
I@ Consulting (Pty) Ltd - Updating the Asset Register from 2009 to date	Council	2 750 131
Nanati Civil Works (Pty) Ltd - Construction of Mahoco Road (6.5km)	Council	34 407 425
Vuka Magagula Trading and Projects (Pty) Ltd - Construction of Nhlazatshe Road (2.5km)	Council	7 427 241
GPTN Trading (Pty) Ltd - Construction of Mpuluzi Water Scheme	Council	4 436 320
Zondle Trading (Pty) Ltd - Construction of Mooiplaas Road (5.5km)	Council	18 552 294
		67 573 411

53. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

Opening balance	918 231	778 456
Current year subscription / fee	12 947 586	11 147 066
Amount paid - current year	(599 983)	(10 228 835)
Amount paid - previous years	(918 231)	(778 456)
	12 347 603	**918 231**

The balance represents PAYE and UIF deducted from the June 2014 payroll. These amounts were paid throughout the year

Audit fees

Opening balance	2 807 275	184 336
Current year subscription / fee	2 649 186	3 411 659
Amount paid - current year	(3 289 513)	(788 720)
	2 166 948	**2 807 275**

Figures in Rand	2014	2013

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

Contributions to SALGA

Opening balance	116 255	155 662
Current year subscription / fee	56 640	160 755
Amount paid - current year	(31 267)	(44 500)
Amount paid - previous years	(116 255)	(155 662)
	25 373	**116 255**

Pension and medical aid deductions

Opening balance	1 892 394	1 768 593
Current year subscription / fee	8 884 598	21 524 658
Amount paid - current year	(19 115 672)	(19 632 264)
Amount paid - previous years	(1 892 394)	(1 768 593)
	(10 231 074)	**1 892 394**

VAT

VAT receivable	-	1 567 137
VAT payable	1 333 978	-
	1 333 978	**1 567 137**

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

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

Councillors' arrear consumer accounts

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

30 June 2014	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
Shabangu, LD	9 000	39 119	48 119
Malaza, STQ	-	2 681	2 681
	9 000	**41 800**	**50 800**

30 June 2013	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
Vilakazi, J	-	2 916	2 916

54. Budget differences

Material differences between budget and actual amounts

Revenue By Source

Property rates :
Rebates & exemptions on property rates.

Rental of facilities and equipment:
Additional rental of Vodacom Tower and reviewal of operating leases.

Interest earned - external investments:
Funds not needed immediately were invested to short term investments.

Interest earned - outstanding debtors:
Increase in outstanding debtors.

Fines:
Three Traffic warden were appointed and proper programmes were implemented in terms of visibility of trafiic officers. Satelity Office established in Elukwatini.

Transfers recognised - operating:
100 % spending on DWA, DOE,FMG,MSIG, 100% on MIG intitial alloaction.

Other revenue:
Disposal of rendundant assets

Expenditure By Type

Employee related costs:
Overtime & Define employee benefits, leave accruals.

Remuneration of councillors:
SARSA not implemented in 2013/14 financial year.

Debt impairment:
Based on risk assement methodology.

Depreciation & asset impairment :
Provision for Assets in terms of GRAP standards.

Finance charges:
Finance leases on photocopying machines.

Bulk purchases:
Energy saving strategies implemented.

Contracted services:
Service Providers appointed on risk basis & Capial expenditures not capitalised.

Other expenditure:
Cost curtailment meaures.