Emalahleni Local Municipality
Financial Statements for the year ended 30 June 2014

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Local Municipality
Mayoral committee	
Executive Mayor	S.F. Sithole
Speaker	A.D. Mkhwanazi
Chief Whip	S.Z. Mathebula
Members of Mayoral Commitee	D.M. Skosana
	X.X. Ntshalintshali
	C.M. Simelani
	P. Van Castle
	L.M Nhlapo
MPAC Chairperson	C.P. Maseko

General Information

Other Councillors	W.A. Van Dyk
	M.B. Tebane
	M.S. Magagula
	L Steyn
	N Naidu
	A.M. Ndlovu
	N.L. Magabotse
	H. Mashiyane
	M.M. Mahlangu
	M.B. Phahlane
	P.J. Mahlangu
	S.J. Matshipa
	F. Mkhabela
	J.J. Msibi
	J.M Mdluli
	D.E. Mlaba
	B.T. Lukhele
	R.W. Kgomo
	J.T. Khumalo
	R.E. Cronje
	P.J. Djiana
	C.P. Maseko
	M.S. Jallal
	I. Cassim
	T.V. Gwambe
	S.E. Bembe
	B.S. Shabangu
	A.V. Phakane
	B.D. Nkosi
	P.E. Mashiane
	A.B. Khumalo
	T.O. Mashigo
	M. Thulari
	T.S. Mabena
	Z.C. Mbuku
	T.G. Mabula
	C.N. Makofane
	P.M. Maabane
	N.T. Mnisi
	B.H. Maseko
	X.M. Mandi
	G. Ubisi
	D.H. Grobler
	S.L. Mokoena
	N.S. Mdluli
	K.T. Pookgoadi
	K. Silaule
	C.L. Maraba
	J.M. Louw
	M. Bhamjee

General Information

	H. Griffiths Schneider Breetzke M.C. Hilton M.B. Hlumbane M. Venter H.J. Venter M.J. Shiba S.E. Shongwe H.J. Scheffer
Administrator	Mr T. Jansen van Vuuren
Chief Financial Officer (CFO)	Mr J.B. Dorfling
Audit committee members	Mr Butana Ngobeni Mr Hangi Hlomane Ms Karen Smith Mr Willy Huma
Grading of local authority	4
Registered office	Civic Centre Mandela Street Emalahleni 1035
Central email contact details	admin@emalahleni.gov.za
Bankers	ABSA Bank Limited
Auditors	Auditor General of South Africa Chartered Accountants (S.A.) Registered Auditors

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

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Abbreviations

GRAP	Generally Recognised Accounting Practice
EPWP	Expanded Public Works Programme
DOE	Department of Energy
MSIG	Municipal Systems Improvement Grant
APC	Accounting Practice Committee
SAICA	South African Institute of Chartered Accountants
MEC	Member of Executive Council
IAS	International Accounting Standards
PPE	Property, plant and equipment
INCA	Infrastructure Finance Corporation Limited
UIF	Unemployment Insurance Fund
PAYE	Pay as you earn
COGTA	Co-operative Governance and Traditional Affairs
VAT	Value Added Tax
HDF	Housing Development Fund
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
SALGA	South African Local Government Association
AFS	Annual Financial Statements
LGTF	Local Government Transitional Funds

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 financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and are given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistent with the requirements of GRAP 3 and supported by reasonable and prudent judgements and estimates by management.

On reviewing the cash flow forecast of the municipality, the accounting officer noted that the municipality is wholly dependent on the government grants for continued funding of its operations. The annual financial statements are prepared on the basis that the municipality is a going concern. This basis presumes that funds will be available to finance future operations and that realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The accounting officer is not aware of any subsequent events arising since the financial period ending year.

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

The financial statements set out on pages 7 to 57, which have been prepared on the going concern basis, were approved by the accounting officer on the 29 August 2014 and were signed on its behalf by:

Mr T. Jansen van Vuuren
Administrator

Emalahleni

29 August 2014

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The entity is engaged in supply of electricity, water, sanitation and revenue collection services and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net surplus of the entity was R 118 630 086 (2013: deficit R 12 463 242).

2. Going concern

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial period ending 2014.

4. Accounting policies

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

5. Accounting Officer

The Administrator of the municipality during the 2014 financial year and to the date of this report is as follows:

Name
Mr T. Jansen van Vuuren

6. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	6	24 294 595	17 050 835
Investments	5	42 705 000	30 017 113
Receivables from Non-Exchange Transactions	7	60 418 823	20 264 863
VAT receivable	8	161 707 044	121 546 669
Consumer receivables	9	448 743 356	240 542 791
Cash and cash equivalents	10	20 305	3 357 048
		737 889 123	**432 779 319**
Non-Current Assets			
Investment property	3	3 022 220	3 022 220
Property, plant and equipment	4	2 256 430 138	2 191 507 379
Investments	5	9 093 505	8 168 201
Receivables from Non-Exchange Transactions		-	12 679
		2 268 545 863	**2 202 710 479**
Total Assets		**3 006 434 986**	**2 635 489 798**
Liabilities			
Current Liabilities			
Other financial liabilities	13	37 421 931	24 749 343
Finance lease obligation	11	5 375 660	2 522 697
Payables from exchange transactions	15	806 234 118	333 014 602
Current portion of unspent conditional grants and receipts	12	13 081 213	53 175 652
Provisions	14	31 248 737	20 295 640
VAT payable		222 060 108	165 210 572
Bank overdraft	10	34 414 678	-
		1 149 836 445	**598 968 506**
Non-Current Liabilities			
Other financial liabilities	13	124 950 668	160 144 773
Finance lease obligation	11	3 826 906	2 620 799
Provisions	14	200 156 830	176 359 883
		328 934 404	**339 125 455**
Total Liabilities		**1 478 770 849**	**938 093 961**
Net Assets		**1 527 664 137**	**1 697 395 837**
Accumulated surplus		1 527 664 137	1 697 395 837

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue	16	1 777 190 819	1 568 774 429
Other income		25 956 890	22 006 812
Operating expenses		(1 664 272 523)	(1 615 525 160)
Operating surplus (deficit)		**138 875 186**	**(24 743 919)**
Investment revenue	25	51 260 398	36 882 747
Finance costs	27	(71 505 498)	(24 602 070)
Surplus (deficit) for the year		**118 630 086**	**(12 463 242)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 1 July 2012	**1 709 859 079**	**1 709 859 079**
Changes in net assets		
Surplus for the year	(12 463 242)	(12 463 242)
Total changes	(12 463 242)	(12 463 242)
Opening balance as previously reported	1 697 395 837	1 697 395 837
Adjustments		
Prior year adjustments	(288 361 786)	(288 361 786)
Balance at 1 July 2013 as restated	**1 409 034 051**	**1 409 034 051**
Changes in net assets		
Surplus for the year	118 630 086	118 630 086
Total changes	118 630 086	118 630 086
Balance at 30 June 2014	**1 527 664 137**	**1 527 664 137**

Emalahleni Local Municipality
Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Taxation		278 823 944	241 623 179
Sale of goods and services		904 032 086	960 176 405
Grants		261 095 321	303 184 156
Interest income		51 227 098	36 882 747
Dividends received		33 300	-
Other receipts		8 875 775	86 138 375
Other cash item		24 645 167	-
		1 528 732 691	1 628 004 862
Payments			
Employee costs		(413 221 709)	(358 220 932)
Suppliers		(913 793 442)	(994 594 483)
Finance costs		(71 505 498)	(24 602 070)
		(1 398 520 649)	(1 377 417 485)
Net cash flows from operating activities	31	**130 212 042**	**250 587 377**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(192 750 040)	(152 543 379)
Proceeds from sale of financial assets		(13 613 191)	(22 450 065)
Proceeds from sale of receivables from non-exchange transactions		12 679	-
Net cash flows from investing activities		**(206 350 552)**	**(174 993 444)**
Cash flows from financing activities			
Repayment of other financial liabilities		(22 521 517)	(45 587 989)
Movement in other liability		56 849 536	-
Proceeds from finance lease liability		-	404 045
Finance lease payments		4 059 070	-
Net cash flows from financing activities		**38 387 089**	**(45 183 944)**
Net increase/(decrease) in cash and cash equivalents		**(37 751 421)**	**30 409 989**
Cash and cash equivalents at the beginning of the year		3 357 048	(27 052 941)
Cash and cash equivalents at the end of the year	10	**(34 394 373)**	**3 357 048**

Emalahleni Local Municipality
Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 180 462 840	-	**1 180 462 840**	1 101 868 738	**(78 594 102)**	Appendix E
Rental of facilities and equipment	12 063 122	-	**12 063 122**	10 363 913	**(1 699 209)**	
Interest received (trading)	2 289 365	-	**2 289 365**	2 206 256	**(83 109)**	
Licences and permits	2 442 921	-	**2 442 921**	2 424 131	**(18 790)**	
Other income revenue	31 052 827	-	**31 052 827**	25 956 890	**(5 095 937)**	Appendix E
Interest received - investment	36 840 358	-	**36 840 358**	51 227 098	**14 386 740**	
Dividends received	10 501	-	**10 501**	33 300	**22 799**	Appendix E
Total revenue from exchange transactions	**1 265 161 934**	**-**	**1 265 161 934**	**1 194 080 326**	**(71 081 608)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	255 623 862	-	**255 623 862**	278 823 944	**23 200 082**	Appendix E
Government grants & subsidies	327 577 000	-	**327 577 000**	301 189 760	**(26 387 240)**	
Transfer revenue						
Public contributions and donations	36 718 500	-	**36 718 500**	73 791 754	**37 073 254**	Appendix E
Fines	2 320 061	-	**2 320 061**	6 451 644	**4 131 583**	
Other transfer revenue	-	-	**-**	70 679	**70 679**	
Total revenue from non-exchange transactions	**622 239 423**	**-**	**622 239 423**	**660 327 781**	**38 088 358**	
Total revenue	**1 887 401 357**	**-**	**1 887 401 357**	**1 854 408 107**	**(32 993 250)**	
Expenditure						
Personnel	(372 467 386)	(6 035 399)	**(378 502 785)**	(394 233 736)	**(15 730 951)**	
Remuneration of councillors	(12 353 211)	(6 634 768)	**(18 987 979)**	(18 987 974)	**5**	
Depreciation and amortisation	(164 448 764)	-	**(164 448 764)**	(127 549 464)	**36 899 300**	Appendix E
Finance costs	(14 804 002)	(4 910 110)	**(19 714 112)**	(71 505 498)	**(51 791 386)**	Appendix E
Debt impairment	(160 105 864)	40 404 944	**(119 700 920)**	(115 843 379)	**3 857 541**	
Repairs and maintenance	(79 569 048)	(15 500 141)	**(95 069 189)**	(87 873 813)	**7 195 376**	
Bulk purchases	(743 043 305)	(19 647 751)	**(762 691 056)**	(685 217 686)	**77 473 370**	
Contracted Services	(14 274 462)	(27 208 385)	**(41 482 847)**	(39 986 204)	**1 496 643**	
Grants and subsidies paid	(55 424 808)	39 279 747	**(16 145 061)**	(16 145 061)	**-**	
General Expenses	(106 277 896)	(44 521 507)	**(150 799 403)**	(178 435 206)	**(27 635 803)**	
Total expenditure	**(1 722 768 746)**	**(44 773 370)**	**(1 767 542 116)**	**(1 735 778 021)**	**31 764 095**	
Surplus/(deficit) for the period	**164 632 610**	**(44 773 370)**	**119 859 241**	**118 630 086**	**163 403 456**	

Accounting Policies

1. Presentation of Financial Statements

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

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

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 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of property, plant and equipment and other assets

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

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 14.

Effective interest rate

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

Allowance for doubtful debts

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

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

Where investment property is acquired 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.

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.

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

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

1.3 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 entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Item	**Average useful life**
Infrastructure	
• Roads and Paving	20 years
• Pedestrian Malls	20 years
• Electricity	30 years
• Water	20 years
• Sewerage	20 years

1.3 Property, plant and equipment (continued)

Community	
• Buildings	30 years
• Recreational Facilities	20 years
• Security	30 years
• Halls	30 years
• Libraries	30 years
• Parks and gardens	30 years
• Other assets	30 years
Finance lease Assets	
• Office equipment	3 - 5 years
Heritage	
• Buildings	30 years
• Paintings and artifacts	
Other	
• Buildings	30 years
• Specialist vehicles	5 years
• Other vehicles	5 - 7 years
• Office equipment	3 - 5 years
• Furniture and fittings	7 - 10 years
• Watercraft	15 years
• Bins and containers	5 - 10 years
• Specialised plant and equipment	10 - 15 years
• Other items of plant and equipment	5 years
• Landfill sites	15 years
• Quarries	30 years
• Emergency equipment	5 - 15 years
• Computer equipment	3 - 8 years
• Computer software	3 - 5 years
• Graders	10 - 15 year
• Airports / Radio Beacons	20 years
• Security Measures	3 - 5 years

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an 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 entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Heritage assets

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

Recognition

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

Accounting Policies

1.5 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

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

1.6 Financial instruments

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

The 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.

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

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

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

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

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

A financial asset is:

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

1.6 Financial instruments (continued)

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

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

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

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
Other financial assets	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	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
Bank overdraft	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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.

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.

Presentation

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

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

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

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

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

1.7 Leases

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

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

Finance leases - lessee

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

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

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

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

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.

1.8 Inventories (continued)

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 entity incurs to acquire the asset on the reporting date.

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

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

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

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 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

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.

Identification

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

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

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

Value in use

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

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

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.

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

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

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

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

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

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

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

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

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

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

The municipality recognise 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 entity 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.

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

1.11 Employee benefits (continued)

Post-employment benefits: Defined benefit 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 recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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 entity recognise past service cost as an expense in the reporting period in which the plan is amended.

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

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

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;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The 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, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

1.12 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an 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.

1.13 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.

1.13 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

1.14 Revenue from non-exchange transactions

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

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

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

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

1.14 Revenue from non-exchange transactions (continued)

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

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

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

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

Recognition

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

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.

Transfers

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

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

Fines

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

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

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

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.

1.15 Borrowing costs

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

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

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

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

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

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

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

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

1.16 Comparative figures

Where necessary, the 2013 financial figures have been reclassified to conform to changes in presentation in the 2014 financial year.

1.17 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.

1.18 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.

1.19 Irregular expenditure

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

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

Accounting Policies

1.19 Irregular expenditure (continued)

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

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

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

1.21 Offsetting

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

1.22 Conditional grants and receipts

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

1.23 Budget information

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

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

1.24 Related parties

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

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

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

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

2. New standards and interpretations

2.1 Standards, amendments to standards and interpretations

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The municipality has early-adopted some of these new Standards or amendments thereto, or has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5.

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

The revision resulted in various terminology and definition changes. Additional commentary has been added, describing the purpose of financial statements in the public sector.

Commentary has been added to explain that where legislation requires a departure from a particular Standard of GRAP and that departure is material, entities cannot claim compliance with the Standards of GRAP. The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes.

Paragraphs added to Changes in accounting policies
- A change from one basis of accounting to another basis of accounting is a change in accounting policy.
- A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies
- The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC.
- Commentary on the selection of benchmark and alternative accounting policies has been deleted.

The effective date of the amendment is for years beginning on or after 1 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

2. New standards and interpretations (continued)

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

Amendments were made to the scope and definitions. All amendments to be applied retrospectively.
The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

The revision resulted in various terminology and definition changes.

Cost formulas:

Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense:
Where reference has been made to ‘net realisable value’, ‘current replacement cost’ has been added.

All amendments to be applied retrospectively

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

The revision resulted in various terminology and definition changes.

Scope:
Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Non-current Assets Held for Sale and Discontinued Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard.

Guidance on accounting for finance leases by lessors:
The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance.

Guidance on operating lease incentives and substance over legal form:
The guidance included in the original text on substance over legal form has been deleted.

Classification of leases on land and buildings elements:
The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance.

All amendments to be applied retrospectively.

The municipality has early adopted the amendment for the first time in the 2013 annual financial statements.

GRAP 16 (as revised 2012): Investment Property

2. New standards and interpretations (continued)

The revision resulted in various terminology and definition changes.

Recognition of investment property:
- Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property.
- This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.
- The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably.
- Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013. The impact of the amendment is not material.

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

The revision resulted in various terminology and definition changes. Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments to be applied prospectively. The effective date of the amendment is for years beginning on or after 01 April 2013. The municipality has early adopted the amendment for the first time in the 2013 annual financial statements. The impact of the amendment is not material.

The revision resulted in certain terminology changes.

Social benefits:
Paragraphs .08 and .16(a) clarify that social benefits due at year end are ‘payables’, as the amounts due are certain in terms of legislation.

Binding agreements for restructurings:
Paragraph .87 has been amended to clarify that restructurings may take place in the public sector in terms of directives, legislation or other means. These alternative means are enforceable and may give rise to an obligation.

Interpretations:
In developing the Standard initially, the Board included relevant text from any Interpretation that had been issued by the International Financial Reporting Interpretations Committee (IFRIC) relating to provisions, contingent liabilities and contingent assets. The Board included selected text from IFRIC 1 on Changes in Decommissioning, Restoration and Similar Liabilities and IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds in line with the Board’s decisions. The Board concluded at its May 2008 meeting that it would issue any Interpretations as separate documents rather than dispersing the text of the Interpretations across various Standards. As a result, paragraphs .37 to .43, .74 to .80, and Appendix F of the previous version of GRAP 19, have been deleted.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 1 April 2011.

The entity expects to adopt the amendment for the first time in the 2012 financial statements.

GRAP 105: Transfers of functions between entities under common control

2. New standards and interpretations (continued)

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

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

The effective date of the standard is for years beginning on or after 1 April 2014.

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

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

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 1 July 2014 or later periods:

GRAP 18: Segment Reporting

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance. The municipality expects to adopt the standard for the first time once it becomes effective. The adoption of this standard is not expected to impact on the results of the municipality, but may result in additional disclosure than is currently provided in the annual financial statements.

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

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

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

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

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

The entity expects to adopt the standard for the first time in the 2015 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 acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

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

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

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 municipality’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.

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

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

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

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

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

- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

2. New standards and interpretations (continued)

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

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

The standard elaborates on the definitions and identification of:

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

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

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

This 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 impact of the standard is not material.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.
This 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.

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

IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

Notes to the Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 1 April 2013.

The municipality could not implement IGRAP1 due to challenges experienced on the extraction of information. The traffic section of the municipality is changing a traffic fines management system and at the time of extraction of the data required for the preparation of the annual financial statements, the migration of information to the new system was taking place. The only available data was statistical data with no detailed listing of the traffic fines which the current system could provide. On full implementation of the new traffic fines management system, the municipality would be in a better position to implement the accounting standard retrospectively. The new improved system has the capability to produce the required data for reporting purposes.

3. Investment property

	2014			2013		
	Cost / Valuation	Fair value adjustments	Carrying value	Cost / Valuation	Fair value adjustments	Carrying value
Investment property	3 022 220	-	3 022 220	3 022 220	-	3 022 220

Reconciliation of investment property - 2014

	Opening balance	Total
Investment property	3 022 220	3 022 220

Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	3 022 220	3 022 220

Pledged as security

There was no investment property pledged as security for the period.

4. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	174 005 682	-	174 005 682	174 005 682	-	174 005 682
Infrastructure	2 803 828 075	(1 273 469 410)	1 530 358 665	2 639 851 237	(1 190 380 193)	1 449 471 044
Community	370 313 098	(113 661 225)	256 651 873	367 699 253	(95 427 731)	272 271 522
Other property, plant and equipment	416 429 818	(127 839 851)	288 589 967	414 526 900	(119 167 769)	295 359 131
Leased Assets	7 272 398	(848 447)	6 423 951	-	-	-
Heritage	400 000	-	400 000	400 000	-	400 000
Total	**3 772 249 071**	**(1 515 818 933)**	**2 256 430 138**	**3 596 483 072**	**(1 404 975 693)**	**2 191 507 379**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Land	174 005 682	-	-	174 005 682
Infrastructure	1 449 471 044	163 976 839	(83 089 218)	1 530 358 665
Community	272 271 522	2 613 845	(18 233 494)	256 651 873
Other property, plant and equipment	295 359 131	18 886 958	(25 656 122)	288 589 967
Leased Assets	-	7 272 398	(848 447)	6 423 951
Heritage	400 000	-	-	400 000
	2 191 507 379	**192 750 040**	**(127 827 281)**	**2 256 430 138**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	174 005 682	-	-	-	174 005 682
Infrastructure	1 440 159 824	137 691 397	-	(128 380 177)	1 449 471 044
Community	273 366 535	10 665 586	-	(11 760 599)	272 271 522
Other property, plant and equipment	316 429 075	4 186 396	(2 485 713)	(22 770 627)	295 359 131
Heritage	400 000	-	-	-	400 000
	2 204 361 116	**152 543 379**	**(2 485 713)**	**(162 911 403)**	**2 191 507 379**

Pledged as security

No PPE was pledged as security

5. Investments

	2014	2013
Designated at amortised cost		
Short Term Investments - Standard Bank	-	7 777
Short Term Investments - First National Bank	-	25 000 000
Listed Shares - Sanlam	2 687 731	1 958 671
Listed Shares - Old Mutual	1 673 070	1 281 075
Call Deposits - First National Bank	-	9 336
Call Deposits - Nedbank	-	5 000 000
Call Deposits - ABSA Bank The average rate of return is 5.3%. The maturity date of this investments is on call	42 705 000	-
Collateral Investments - Nedbank The increase in investment resulted from interest of R6 380 earned during the 2014 financial year	128 607	122 227
Collateral Investments - First National Bank The increase in investment resulted from interest of R1 788 earned during the 2014 financial year	36 354	34 565
Long Term Deposits - New Republic Bank An amount of R203 920 was withdrawn during the 2014 financial year. No dividends or interest was paid out or earned during the year.	4 567 743	4 771 663

Notes to the Financial Statements

Figures in Rand	2014	2013
	51 798 505	**38 185 314**
Non-current investments		
Listed Shares and Investments	9 093 505	8 168 201
Current investments		
ABSA - MIG Call Deposits	42 705 000	30 017 113

6. Inventories

	2014	2013
Game - at auction market prices	825 747	730 647
Consumable stores	16 706 176	10 911 477
Water works Water	354 738	259 169
Stands for sale - at cost	4 181 971	4 180 114
Face value documents - at cost	27 988	41 918
Water works Material	2 197 975	927 510
	24 294 595	**17 050 835**

7. Receivables from Non-Exchange Transactions

	2014	2013
Housing/erven loans	1 973 628	2 592 524
Other receivables from non-exchange revenue	58 413 990	17 635 287
Furniture removal loans	31 205	37 052
	60 418 823	**20 264 863**

FURNITURE REMOVALS
With new appointments Council pays the removal costs of the relevant employee. This amount is placed on a debtors account in the name of the employee and is written off over a two year period every 6 months.

HOUSING/ERVEN LOANS
When Council sells land to the public, a 60 day period is given for applying for a bond and registration thereof. By failing to do so, the transaction is cancelled.

8. VAT receivable

	2014	2013
VAT	161 707 044	121 546 669

9. Consumer receivables

	2014	2013
Gross balances		
Rates	175 639 544	149 501 629
Electricity	330 925 206	289 798 014
Water	417 722 024	302 142 181
Sewerage	146 515 289	108 071 187
Refuse	114 678 877	97 884 832
Other (specify)	159 552 215	81 765 598
	1 345 033 155	**1 029 163 441**
Less: Allowance for impairment		
Rates	(135 886 393)	(123 143 622)
Electricity	(225 969 290)	(200 483 746)
Water	(251 217 743)	(221 098 465)
Sewerage	(90 711 454)	(81 443 984)
Refuse	(92 521 087)	(82 095 183)
Other (specify)	(99 983 832)	(80 355 650)
	(896 289 799)	**(788 620 650)**

Figures in Rand	2014	2013

9. Consumer receivables (continued)

Net balance		
Rates	39 753 151	26 358 007
Electricity	104 955 916	89 314 268
Water	166 504 281	81 043 716
Sewerage	55 803 835	26 627 203
Refuse	22 157 790	15 789 649
Other	59 568 383	1 409 948
	448 743 356	**240 542 791**
Included in above is receivables from exchange transactions		
Electricity	104 955 916	89 314 268
Water	166 504 281	81 043 716
Sewerage	55 803 835	26 627 203
Refuse	22 157 790	15 789 649
	349 421 822	**212 774 836**
Included in above is receivables from non-exchange transactions (taxes and tansfers)		
Rates	39 753 151	26 358 007
Other (specify)	59 568 383	1 409 948
	99 321 534	**27 767 955**
Net balance	**448 743 356**	**240 542 791**
Rates		
Current (0 -30 days)	4 741 194	2 934 240
31 - 60 days	1 867 410	1 065 452
61 - 90 days	1 400 754	823 334
91 - 120 days	1 412 584	710 913
121 - 365 days	6 507 991	4 225 700
> 365 days	23 823 218	16 598 368
	39 753 151	**26 358 007**
Electricity		
Current (0 -30 days)	12 950 051	14 509 948
31 - 60 days	4 580 581	5 090 931
61 - 90 days	3 068 617	3 156 831
91 - 120 days	3 216 791	2 837 241
121 - 365 days	19 055 888	19 034 677
> 365 days	62 083 988	44 684 640
	104 955 916	**89 314 268**
Water		
Current (0 -30 days)	10 274 355	5 310 575
31 - 60 days	7 399 782	3 487 953
61 - 90 days	6 490 866	3 653 568
91 - 120 days	6 138 537	3 197 870
121 - 365 days	38 647 771	18 161 125
> 365 days	97 552 970	47 232 625
	166 504 281	**81 043 716**

Figures in Rand	2014	2013

9. Consumer receivables (continued)

Sewerage		
Current (0 -30 days)	3 986 989	1 546 789
31 - 60 days	2 221 592	809 337
61 - 90 days	2 200 950	690 003
91 - 120 days	2 065 916	638 809
121 - 365 days	11 775 710	4 280 339
> 365 days	33 552 678	18 661 926
	55 803 835	**26 627 203**

Refuse		
Current (0 -30 days)	1 140 721	789 543
31 - 60 days	600 797	433 625
61 - 90 days	552 737	388 981
91 - 120 days	497 712	371 401
121 - 365 days	3 409 349	2 475 794
> 365 days	15 956 474	11 330 305
	22 157 790	**15 789 649**

Other (specify)		
Current (0 -30 days)	4 075 855	99 310
31 - 60 days	193 736	48 167
61 - 90 days	335 502	44 319
91 - 120 days	344 531	45 706
121 - 365 days	9 151 280	266 313
> 365 days	45 467 479	906 133
	59 568 383	**1 409 948**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(788 620 650)	(590 630 536)
Contributions to allowance	(107 669 149)	(197 985 507)
Debt impairment written off against allowance	-	(4 607)
	(896 289 799)	**(788 620 650)**

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	20 305	19 505
Bank balances	-	3 337 543
Bank overdraft	(34 414 678)	-
	(34 394 373)	**3 357 048**

Current assets	20 305	3 357 048
Current liabilities	(34 414 678)	-
	(34 394 373)	**3 357 048**

Figures in Rand	2014	2013

10. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA: Account Number 1360-000-091	41 333 743	9 473 317	3 415 677	(35 735 686)	3 337 543	(27 073 246)
ABSA BANK LTD - Licencing Account - 4080890928	1 139 346	3 552 831	-	1 164 229	3 392 672	-
ABSA - Nics - 4080890952	127 458	118 658	-	127 458	117 258	-
ABSA - Account Number 4080890928 - Traffic Fines	-	-	-	29 321	-	-
Total	**42 600 547**	**13 144 806**	**3 415 677**	**(34 414 678)**	**6 847 473**	**(27 073 246)**

11. Finance lease obligation

	2014	2013
Minimum lease payments due		
- within one year	5 375 660	2 522 697
- in second to fifth year inclusive	3 826 906	2 620 799
	9 202 566	5 143 496
less: future finance charges	(766 240)	(437 231)
Present value of minimum lease payments	**8 436 326**	**4 706 265**

	2014	2013
Present value of minimum lease payments due		
- within one year	4 838 869	2 207 344
- in second to fifth year inclusive	3 597 458	2 498 921
	8 436 327	**4 706 265**

	2014	2013
Non-current liabilities	3 826 906	2 620 799
Current liabilities	5 375 660	2 522 697
	9 202 566	**5 143 496**

The average lease term was 3 years and the average effective borrowing rate was 9% (2013: 9%). Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

12. Current portion of unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

	2014	2013
Unspent conditional grants and receipts		
Municipal Revenue Enhancement Program	9 804	80 483
Electricity Demand Site	4 043	2 304 043
Expanded Public Works Program	1 444 364	811 471
MIG	-	11 155 497
Housing Accreditation	67 620	1 605 776
Department of Energy	11 555 382	37 218 382
	13 081 213	**53 175 652**

See Note 18 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised.

Figures in Rand	2014	2013

13. Other financial liabilities

At amortised cost		
ABSA	3 952 507	4 810 383
Development Bank of South Africa	86 650 480	95 327 069
INCA	26 194 714	31 711 614
Nedbank	45 574 898	53 045 050
	162 372 599	**184 894 116**
Total other financial liabilities	**162 372 599**	**184 894 116**

Refer to Appendix A for more detail on borrowings.

Non-current liabilities		
At amortised cost	124 950 668	160 144 773
Current liabilities		
At amortised cost	37 421 931	24 749 343

14. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Contributions made	Total
Provision for rehabilitation of landfill sites	9 343 883	4 985 947	14 329 830
Provision for post-retirement benefit:Medical care contribution	167 016 000	18 811 000	185 827 000
Other provisions	20 295 640	10 953 097	31 248 737
	196 655 523	**34 750 044**	**231 405 567**

Reconciliation of provisions - 2013

	Opening Balance	Contributions made	Total
Provision for rehabilitation of landfill sites	-	9 343 883	9 343 883
Provision for post-retirement benefit: Medical care contribution	164 962 000	2 054 000	167 016 000
Other provisions	20 295 640	-	20 295 640
	185 257 640	**11 397 883**	**196 655 523**

	2014	2013
Non-current liabilities	200 156 830	176 359 883
Current liabilities	31 248 737	20 295 640
	231 405 567	**196 655 523**

The provision for rehabilitation of landfill sites relates to the legal obligation to restore and rehabilitate the Leeuwpoort and Ga-Nala landfill sites used for waste disposal. It is calculated at the present value of the future obligation, discounted at 8.3%, over an average period of 18 years.

Actuarial method and assumptions

Objectives

Funding is the making of advance provision to meet the cost of accruing benefit promises. The funding objectives implicit in GRAP25/IAS 19 are to maintain a provision of 100% of the accrued service liability. The maintenance of such a provision gives employees a measure of security in respect of accrued benefit rights and also helps ensure that the employee does not maintain excessive resources within the provision made.

Method

The method of funding prescribed by IAS 19 is called the "Projected Unit Method". Under this method the accrued service liabilities are determined by projecting all future payments which will be made by the employer in respect of benefits accrued up to valuation date. Asumptions are made in respect of, inter-alia , medical scheme contribution increases, withdrawals, deaths and ill-health, early and normal retirements. These payment are discounted at the valuation rate of discount to determine the present value of the liabilities at the Valuation Date.

Pace of funding

It is important to note that the assumptions do not affect the actual cost of the benefit paid, only the pace at which those costs are provided for in the accounts of the Emalahleni Local Municipality.

Figures in Rand	2014	2013

14. Provisions (continued)

Death-in-service Benefits

On death-in-service the surviving spouse and dependants are also entitled to the subsidy of 60% of their medical aid contributions. The liability incurred for death is also valued using the projected unit credit method.

Key Assumptions

	2014	2013
Health care cost inflation	7.20%	6.89%
Discount rate	8.32%	8.09%
Real discount rate	1.04%	1.12%
Spouse age difference	4 years	4 years
Continuation at retirement	100%	100%
Retirement age	65 years	65 years
Mortality of in-service members	SA 85-90 (light) Ultimate	SA 85-90 (light) Ultimate
Pensioners mortality tables	PA (90) - 2 Ultimate	PA (90) - 2 Ultimate

The discount rate assumption of 8.32% p.a was set by referring to the yields on long term government bonds in accordance with the requirementof the GRAP25/ IAS19 accounting standard. The variable having the greates effect is the real discount rate, i.e the discount rate net of health care cost inflation. Even relatively small changes to this differential could have a relatively large impact on the liabilities

15. Payables from exchange transactions

	2014	2013
Trade payables	477 369 826	139 395 721
Payments received in advanced	40 323 623	37 712 080
Other creditors	170 580 296	54 697 982
Retentions	11 719 145	5 789 090
Consumer deposits	105 418 529	94 648 778
Public contributions	83 294	83 294
Deposits: Other	739 405	687 657
	806 234 118	**333 014 602**

16. Revenue

	2014	2013
Service charges	1 101 868 738	963 201 553
Rental of facilities and equipment	10 363 913	9 666 597
Interest earned - external investments	2 206 256	3 623 747
Licences and permits	2 424 131	2 488 288
Other income	25 956 890	22 006 812
Interest earned - outstanding receivables	51 227 098	36 882 747
Dividends received	33 300	-
Property rates	278 823 944	236 911 715
Government grants and subsidies	301 189 760	305 584 620
Public contributions and donations	73 791 754	45 942 145
Fines	6 451 644	1 355 764
Other transfer revenue	70 679	-
	1 854 408 107	**1 627 663 988**

Figures in Rand	2014	2013

16. Revenue (continued)

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

Service charges	1 101 868 738	963 201 553
Rental of facilities and equipment	10 363 913	9 666 597
Interest earned - external investments	2 206 256	3 623 747
Licences and permits	2 424 131	2 488 288
Other income	25 956 890	22 006 812
Interest earned - outstanding receivables	51 227 098	36 882 747
Dividends received	33 300	-
	1 194 080 326	**1 037 869 744**

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

Taxation revenue		
Property rates	278 823 944	236 911 715
Transfer revenue		
Government grants & subsidies	301 189 760	305 584 620
Public contributions and donations	73 791 754	45 942 145
Fines	6 451 644	1 355 764
Other transfer revenue	70 679	-
	660 327 781	**589 794 244**

Figures in Rand	2014	2013

17. Property rates

Rates received

Residential	183 332 133	143 734 447
Commercial	75 282 465	73 845 382
State	7 919 761	8 362 983
Heavy industries	9 987 516	8 718 241
Light Industries	2 302 069	2 250 662
	278 823 944	**236 911 715**

eMalahleni, Ga-Nala and Thubelihle

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Council was granted a one year extension by the MEC for CoGTA. The basic rate is 0.15688c in Rand, whilst a rebate of R784 p.a (based on the first R50 000 of the valuation roll) is granted to all owners with a "Residential 1,2,3" - zoned property where a house has been erected. Furthermore, an exemption is granted to all pensioners and physical and mentally disabled, who qualifies according to the Property Rates Policy, currently receiving an amount in Pension/ Allowance of up to R90 000 p.a.

Ogies/Phola, Farms & Wilge Township
Rates are the same as for eMalahleni

Kendal Forest
Rate is .15688c / Rand values only.

Rural Areas
Rate for Rural Areas is .15688c/Rand on land values only.

Valuations

Residential	23 745 036 850	20 506 389 000
Commercial	6 215 149 020	5 259 263 470
State	683 154 500	629 971 400
Municipal	2 115 049 450	1 211 184 810
Other (Agriculture , Mining , etc)	1 632 111 669	3 930 496 919
	34 390 501 489	**31 537 305 599**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Council was granted a one year extension by the MEC for CoGTA. The basic rate is 0.15688c in Rand, whilst a rebate of R784.40 p.a (based on the first R50 000 of the valuation roll) is granted to all owners with a "Residential 1,2,3" - zoned property where a house has been erected. Furthermore, an exemption is granted to all pensioners and physical and mentally disabled, who qualifies according to the Property Rates Policy, currently receiving an amount in Pension/Allowance of up to R90 000 p.a.

18. Service charges

Other service charges	3 883 841	3 921 847
Sale of electricity	645 471 440	609 614 293
Sale of water	281 149 074	208 811 921
Sewerage and sanitation charges	107 274 246	77 712 755
Refuse removal	64 090 137	63 140 737
	1 101 868 738	**963 201 553**

Figures in Rand	2014	2013

19. Government grants and subsidies

Equitable share	187 445 000	181 640 000
MIG Grant	87 253 497	115 569 002
Local Government Transitional Fund (LGTF)	-	11 404
National Treasury (Fin. Man. Grant)	1 550 000	1 500 000
Grant - E P W P	600 107	2 493 529
Grant - DOE	21 913 000	3 417 014
Grant - Department of Local Government & Housing	1 538 156	153 671
MSIG	890 000	800 000
	301 189 760	**305 584 620**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R 184 (2013: R 163), which is funded from the grant.

Electricity Demand Site Management Grant

Balance unspent at beginning of year	2 304 043	-
Current-year receipts	-	5 000 000
Grants returned to National Treasury	(2 300 000)	(2 695 957)
	4 043	**2 304 043**

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

This grant was used to manage the electricity consumption to decrease the electricity demand on the national electricity network.

Extended Public Works Programme Incentive

Balance unspent at beginning of year	811 471	-
Current-year receipts	1 594 000	3 305 000
Conditions met - transferred to revenue	(600 107)	(2 493 529)
Grants returned to National Treasury	(387 000)	-
Grants reversed to Council	26 000	-
	1 444 364	**811 471**

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

MIG Grant

Balance unspent at beginning of year	11 155 497	31 956 499
Current-year receipts	76 098 000	94 768 000
Conditions met - transferred to revenue	(87 253 497)	(115 569 002)
	-	**11 155 497**

This grant was used to construct roads, sewerage and water infrastructure, as part of the upgrading of informal and formal settlement areas. Included in the roads, sewerage, water and fencing votes in Annexure B.

DOE Grant

Balance unspent at beginning of year	37 218 382	21 939 439
Current-year receipts	-	16 000 000
Conditions met - transferred to revenue	(21 913 000)	(721 057)

Figures in Rand	2014	2013

19. Government grants and subsidies (continued)

Grants returned to National Treasury	(21 913 000)	-
Grants Reversed to Council	21 913 000	-
Correction of Opening Balance	(3 750 000)	-
	11 555 382	**37 218 382**

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

This grant was used to install services to new settlements.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

20. Public contributions and donations

Public contributions and donations	73 791 754	45 942 145

21. General expenses

Advertising	835 138	620 378
Assessment rates & municipal charges	6 157 587	3 580 720
Auditors remuneration	5 462 007	4 935 518
Bank charges	6 874 342	7 658 238
Computer expenses	186 834	157 586
Consulting and professional fees	16 394 924	2 869 646
Debt collection	1 496 637	1 836 742
Entertainment	314 046	191 541
Insurance	5 983 729	5 165 748
Rentals	912 194	6 081 236
Promotions and sponsorships	155 429	169 723
Skills development levies	3 536 945	2 945 577
Motor vehicle expenses	5 171 993	2 370 565
Fuel and oil	12 811 375	5 807 099
Postage and courier	2 633 663	2 201 257
Printing and stationery	3 354 996	2 415 835
Protective clothing	2 223 633	1 381 588
Software licenses	1 664 019	1 439 848
Subscriptions and membership fees	3 586 381	3 592 782
Telephone and fax	5 548 509	5 444 706
Transport and freight	8 670 400	3 630 747
Training	1 268 430	2 956 064
Travel - local	2 305 595	2 692 233
Refuse	24 167	12 844
Other expenses	53 580 667	29 464 790
Departmental consumption	22 966 722	6 219 257
Material and provisions	892 363	18 600 573
Management: landfill sites	3 422 481	3 182 810
	178 435 206	**127 625 651**

Figures in Rand	2014	2013

22. Employee related costs

Basic	234 411 180	209 612 417
Bonus	15 813 561	15 103 024
Medical aid - company contributions	50 286 955	31 477 139
Others short term benefits	198 261	47 423
Post-employment benefits - Pension - Defined contribution plan	44 928 888	41 049 266
Overtime payments	39 731 694	35 427 171
Housing benefits and allowances	2 150 445	2 391 366
Contributions - Group insurance	648 432	683 250
	388 169 416	**335 791 056**

Remuneration of municipal manager

Annual Remuneration	1 045 852	970 012
Car Allowance	80 000	80 000
Contributions to UIF, Medical and Pension Funds	153 648	153 648
	1 279 500	**1 203 660**

Mr G Mthimunye resigned during the 2013/2014 financial year.

Remuneration of chief finance officer

Annual Remuneration	694 411	637 687
Car Allowance	144 000	144 000
Contributions to UIF, Medical and Pension Funds	118 553	118 553
	956 964	**900 240**

Remuneration of executive directors

Annual Remuneration	2 758 964	1 912 247
Travel, motor car, accommodation, subsistence and other allowances	408 000	276 000
Contributions to UIF, Medical and Pension Funds	660 892	512 473
	3 827 856	**2 700 720**

23. Remuneration of councillors

Executive Major	703 801	502 715
Mayoral Committee Members	3 694 957	2 639 252
Speaker	563 040	402 172
Councillors Allowances	12 248 197	12 441 466
Councillors' pension and medical aid contributions	1 777 979	1 639 655
	18 987 974	**17 625 260**

24. Debt impairment

Bad debts	115 843 379	197 985 507

Debt impairment methodology:
Outstanding debt is divided into 3 categories when calculating the impairment. The categories are as follows:
Category A : No provision is made for Government and current accounts.
Category B : 50% provision is made for irregular payer.
Category C: 100% provision is made for municipal accounts, indigent and non-payers.

Notes to the Financial Statements

Figures in Rand	2014	2013

25. Investment revenue

Dividend revenue		
Listed shares - Local	33 300	-
Interest revenue		
Interest charged on arrear accounts	51 227 098	36 882 747
	51 260 398	**36 882 747**

The amount included in Investment revenue arising from exchange transactions amounted to R 51 227 098.

26. Depreciation and amortisation

Property, plant and equipment	127 549 464	162 911 403

27. Finance costs

Eskom account	51 187 250	3 626 477
Long term liabilities	14 728 162	20 667 554
Finance lease	604 139	69 067
Landfill sites	4 985 947	238 972
	71 505 498	**24 602 070**

28. Auditors' remuneration

Fees	5 462 007	4 935 518

29. Grants and subsidies paid

Grants and subsidies paid to the indigent	16 145 061	24 269 647

30. Bulk purchases

Electricity	598 436 096	607 684 087
Water	86 781 590	39 473 373
	685 217 686	**647 157 460**

Figures in Rand	2014	2013

31. Cash generated from operations

Surplus (deficit)	118 630 086	(12 463 242)
Adjustments for:		
Depreciation and amortisation	127 549 464	162 911 403
Provision for bad debts	115 843 379	197 985 507
Finance cost	-	20 667 554
Movements in provisions	34 750 044	2 292 972
Prior year adjustment	(288 361 787)	(3 347 703)
Adjustment for landfill sites	277 817	-
Changes in working capital:		
Inventories	(7 243 760)	(3 703 681)
Other receivables from non-exchange transactions	(40 153 960)	10 721 061
Consumer debtors	(324 043 944)	(219 556 587)
Payables from exchange transactions	473 219 517	43 959 810
VAT	(40 160 375)	27 924 065
Current portion of unspent conditional grants and receipts	(40 094 439)	(2 400 465)
Consumer deposits	-	25 596 683
	130 212 042	**250 587 377**

32. Commitments

Capital commitments

Approved and contracted for :		
• Infrastructure	135 468 718	15 807 662

At the reporting date the entity has outstanding operational commitments:		
Operational commitments		
• Alexander Forbes Risk Services	6 589 154	3 164 823
• New Integrated Credit Solutions	481 052	287 285
• Pholosa Asset Management	240 584	151 923
• Municol	795 967	509 841
• Mykatrade (G-Nala)	842 105	-
• Mykatrade (Leeuwpoort)	2 268 000	-
• Masibuyisane	-	1 369 989
• U I S / Bula Mosebetsi 3 JV	-	5 851 783
• Thembukukhanye construction	-	687 797
• S P Surfacing	-	147 820
	11 216 862	**12 171 261**

Figures in Rand	2014	2013

33. Contingencies

Legal claims against Municipality

Forthwith is a list of possible liability claims where the outcome was unknown at 30 June 2014:

1.	Van Vuuren and MEC	R 4 980 667
2.	Legal claims against Municipality	R 275 540
3.	XLNCE Investments	R 233 273 137
4.	Mahlalerwa Construction CC	R 4 105 300
5.	Sasol Gas	R 3 334 111
6.	EZ Spares	R 1 283 502
7.	Bianca	R 760 000
8.	Leko Engineering	R 534 779
9.	BT Monareng Construction & others	R 548 003
10.	Witbank Abbattoir	R 135 707
11.	Witbank Housing Corporation	R 300 000 000
11.	Kuyalunga Traffic Solutions	R 13 996 000
12.	Senzi Martha Motse	R 702 000
13.	Vuka Site Maintenance	R 2 333 115
14.	Sud Chemie	R 438 582
15.	Soundprops	R 9 222 070
16.	Weccm JN Business Enterprises	R 136 800
17.	Cobus Grobler	R 10 070
18.	Ben Ntuli	R 28 367
19.	Ntswaki Annah Zondo	R 500 000
20.	Opththalmicare CC	R1 743 148

34. Related parties

Post employment benefit plan for employees of municipality and/or other related parties.	
Compensation to councillors and other key management	Refer to note 24 & 25
The municipality collects licence fees on behalf of the Department of Transport and earns a commission.	

35. Prior period adjustment

A comparison between the 2014 opening balances and 2013 closing balances were performed. Differences were identified arising from journals being passed in the 2014 financial year in order to correct the opening balances. Prior year adjustments were passed to correct the 2013 closing balances. The adjustment to correct the 2013 closing balances are as follows:

	2014	2013
Statement of financial position		
Debtors - Interest accrued at year end	121 121	-
Purified water	(7 921)	-
Electricity	(1 395 715)	-
Roads	(499 309)	-
Year end creditors	2 371	-
Input VAT - general expenses operating	39 361 333	-
Creditors prepaid electricity	(2 745 055)	-
Financial Lease Liabilities	2 724 226	-
Impairment to buildings	(2 485 714)	-
Reversal of journal 491 dated 30 June 2012	-	(33 665 072)
Change of funding capital projects	-	889 954
Transfer of conditional DOE Grants to National Treasury	-	999 000
Correction of Staff leave	-	(7 473 176)
Disounting of Other Debtors	-	35 598 315
Correction of Workmens Compensation	-	2 420 257
Correction at Stores	-	4 908 414
Unknown Deposits	-	(357 779)
Creditors	-	(987 744)
Correction on Ledger	-	290 353
Correction of Amounts Paid in Advance	-	2 738 391
	-	(2 013 213)

36. 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.

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

At 30 June 2014	**Not later than one month**	**Later than one month and not later than three months**	**Later than three months and not later than one year**	**Later than one year and not later than five years**
Borrowings	3 118 494	6 236 989	28 066 448	16 688 573
Gross finance lease obligations	447 972	895 943	4 031 745	3 826 906
Trade and other payables	806 234 118	-	-	-
Other - Consumer deposits	105 418 529	-	-	-

At 30 June 2013	**Not later than one month**	**Later than one month and not later than three months**	**Later than three months and not later than one year**	**Later than one year and not later than five years**
Borrowings	2 062 445	4 124 891	18 562 007	160 144 774
Gross finance lease obligations	210 225	420 450	1 892 023	2 620 799
Trade and other payables	333 014 601	-	-	-
Other - Consumer deposits	94 648 778	-	-	-

Figures in Rand	2014	2013

36. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and consumer debtors. The municipality only deposits cash with major banks and limits exposure to any one counter-party.

Consumer debtors comprise a widespread community base. The Municipality manages its credit risk through payment of deposits and disconnection in the case of non-payment.

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

Financial instrument	**2014**	**2013**
ABSA Bank Limited	(34 394 473)	3 357 048
Trade and other receivables	1 009 841 396	797 896 214

These balances represent the maximum exposure to credit risk.

37. Unauthorised expenditure

Opening balance	-	111 853 622
Approved by Council or condoned	-	111 853 622
	-	**223 707 244**

38. Fruitless and wasteful expenditure

Opening balance	1 882 409	1 882 409
Fruitless and wasteful expenditure current year - 2014	45 712 651	-
	47 595 060	**1 882 409**

The above expenditure relates to interest incurred on late payment towards the Eskom and SARS account .

39. Irregular expenditure

Opening balance	22 891 863	17 626 615
Deliberate split to avoid official supply chain management policy	-	5 265 248
Transfer to receivables for recovery – not condoned	23 579 562	-
	46 471 425	**22 891 863**

40. Additional disclosure in terms of Municipal Finance Management Act

SECTION 125(1)(B) - Contributions to SALGA

Council Membership fees payable	3 468 576	3 581 356
Amount paid - current year	(3 468 576)	(3 581 356)
	-	**-**

SECTION 125(1)(C) - Audit fees

Audit fees payable current year	3 586 361	4 908 374
Amount paid - current year	(3 586 361)	(4 908 374)
	-	**-**

Figures in Rand	2014	2013

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

PAYE and UIF

Current payroll deductions	53 481 743	41 265 096
Amount paid - current year	(53 481 743)	(41 265 096)
	-	-

Pension and Medical Aid Deductions

Current payroll deductions	77 337 936	73 579 984
Amount paid - current year	(77 337 936)	(73 579 984)
	-	-

VAT

VAT receivable	161 707 044	121 546 669
VAT payable	(222 060 108)	(165 210 572)
	(60 353 064)	**(43 663 903)**

VAT output payables and VAT input receivables are shown in note 8.

Councillors consumer accounts

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

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor T Gwambe	645	12 477	13 122
Councillor LM Nkosi	1 425	9 707	11 132
Councillor MB Msibi	672	17 132	17 804
	2 742	**39 316**	**42 058**

Arrangement to settle the outstanding balances has been made with the above mentioned councillors.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the Administrator and awaiting condonment by Council. Refer to Appendix H for a breakdown of deviations from normal procurement process.

Detailed Income statement

Figures in Rand	Note(s)	2014	2013
Revenue			
Service charges	18	1 101 868 738	963 201 553
Rental of facilities and equipment	17	10 363 913	9 666 597
Interest earned - external investments		2 206 256	3 623 747
Licences and permits		2 424 131	2 488 288
Other income		25 956 890	22 006 812
Interest earned - outstanding receivables		51 227 098	36 882 747
Dividends received		33 300	-
Property rates	17	278 823 944	236 911 715
Government grants & subsidies	19	301 189 760	305 584 620
Public contributions and donations	20	73 791 754	45 942 145
Fines		6 451 644	1 355 764
Other transfer revenue		70 679	-
Total revenue		**1 854 408 107**	**1 627 663 988**
Expenditure			
Employee related costs	22	(394 233 736)	(340 595 676)
Remuneration of councillors	23	(18 987 974)	(17 625 259)
Depreciation and amortisation	26	(127 549 464)	(162 911 403)
Finance costs	27	(71 505 498)	(24 602 070)
Bad debts	24	(115 843 379)	(197 985 507)
Repairs and maintenance		(87 873 813)	(73 838 848)
Bulk purchases	30	(685 217 686)	(647 157 460)
Contracted services		(39 986 204)	(23 515 709)
Grants and subsidies paid	29	(16 145 061)	(24 269 647)
General Expenses	21	(178 435 206)	(127 625 651)
Total expenditure		**(1 735 778 021)**	**(1 640 127 230)**
Operating surplus (deficit)		**118 630 086**	**(12 463 242)**
Surplus (deficit) for the year		**118 630 086**	**(12 463 242)**

Appendix A

Schedule of external loans as at 30 June 2010

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

Appendix A

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2013 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2014 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Total external loans								
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
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Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2012

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties														
Investment property	-	-	3 022 220	-	-	-	**3 022 220**	-	3 022 220	-	-	-	**3 022 220**	6 044 440
	-	-	**3 022 220**	-	-	-	**3 022 220**	-	**3 022 220**	-	-	-	**3 022 220**	**6 044 440**
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	3 022 220	-	-	-	**3 022 220**	-	3 022 220	-	-	-	**3 022 220**	6 044 440
	-	-	**3 022 220**	-	-	-	**3 022 220**	-	**3 022 220**	-	-	-	**3 022 220**	**6 044 440**

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investment properties														
Investment property	-	-	3 022 220	-	-	-	**3 022 220**	-	3 022 220	-	-	-	**3 022 220**	6 044 440
	-	**-**	**3 022 220**	**-**	**-**	**-**	**3 022 220**	**-**	**3 022 220**	**-**	**-**	**-**	**3 022 220**	**6 044 440**
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	3 022 220	-	-	-	**3 022 220**	-	3 022 220	-	-	-	**3 022 220**	6 044 440
	-	**-**	**3 022 220**	**-**	**-**	**-**	**3 022 220**	**-**	**3 022 220**	**-**	**-**	**-**	**3 022 220**	**6 044 440**

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin/Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Development/Economic Development/Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health/Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comm. & Social/Libraries and archives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety/Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities														
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Total														
Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Emalahleni Local Municipality
Appendix D

Segmental Statement of Financial Performance for the year ended

June 2013 Actual Income Rand	June 2013 Actual Expenditure Rand	June 2013 Surplus /(Deficit) Rand		June 2014 Actual Income Rand	June 2014 Actual Expenditure Rand	June 2014 Surplus /(Deficit) Rand
			Municipality			
2 531 134	72 853 058	(70 321 924)	Executive & Council/Mayor and Council	2 868 927	102 877 169	(100 008 242)
464 519 730	178 617 891	285 901 839	Finance & Admin/Finance	524 862 097	292 269 419	232 592 678
6 279 278	8 664 041	(2 384 763)	Planning and Development/Economic Development/Plan	8 518 369	14 344 420	(5 826 051)
5 593 191	14 920 929	(9 327 738)	Health/Clinics	1 876 435	16 073 287	(14 196 852)
2 958 930	16 741 918	(13 782 988)	Comm. & Social/Libraries and archives	1 007 493	19 382 211	(18 374 718)
2 404 580	8 658 540	(6 253 960)	Housing	4 172 682	7 993 075	(3 820 393)
22 434 796	65 410 868	(42 976 072)	Public Safety/Police	26 796 298	97 757 433	(70 961 135)
4 638 194	18 716 517	(14 078 323)	Sport and Recreation	599 944	22 992 961	(22 393 017)
34 104	3 562 187	(3 528 083)	Environmental Protection/Pollution Control	106 787	3 471 421	(3 364 634)
184 880 081	169 355 045	15 525 036	Waste Water Management/Sewerage	225 076 347	135 990 492	89 085 855
64 229 658	66 920 592	(2 690 934)	Road Transport/Roads	64 879 357	38 639 142	26 240 215
231 133 315	210 626 196	20 507 119	Water/Water Distribution	304 211 783	172 932 085	131 279 698
638 416 376	768 303 616	(129 887 240)	Electricity /Electricity Distribution	702 607 746	774 893 496	(72 285 750)
6 611 078	45 655 167	(39 044 089)	Other/Air Transport	6 799 703	56 137 271	(49 337 568)
636 664 445	**649 006 565**	**(12 342 120)**		**874 383 968**	**755 753 882**	**118 630 086**

Emalahleni Local Municipality
Appendix E

Yearly

	Current year 2014 Bud. Amt Rand	Current year 2014 Act. Bal. Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Levied Charges	1 212 250 152	1 397 620 045	(185 369 893)	(13.3)	Electricity, water and sewer higher than budgeted. Refuse was lower in the current year. Due to actions to reduce tampering etc.
Tariff Charges - Other	234 725 737	159 169 394	75 556 343	47.5	The Prepaid electricity reduced by R68313742
Service charges	-	-	-	-	
Government Grants and Subsidies	327 577 000	301 260 439	26 316 561	8.7	Indirect grants of R28970000 not yet recognised
Traffic Fines	2 320 061	2 770 514	(450 453)	(16.3)	Increased action against lawlessness
Donations and public contributions	36 718 500	73 791 754	(37 073 254)	(50.2)	Completed capital NDM more than budgeted
Rental of facilities and equipment	-	-	-	-	
Internal transfers	20 186 362	26 462 000	(6 275 638)	(23.7)	Electricity water increases due to meters which were installed
Income from agency services	20 164 937	19 482 136	682 801	3.5	
Licences and permits	2 442 921	2 424 131	18 790	0.8	
Rental income	12 063 122	10 363 913	1 699 209	16.4	Chalet rentals down due to status of them
Other income	10 898 392	6 815 316	4 083 076	59.9	Sale of stands not recognised, vat down and seta claims
Income foregone	(31 075 550)	(179 066 021)	147 990 471	(82.6)	Higher discount on rates and tarriffs
Interest received - external investment	1 570 563	1 813 778	(243 215)	(13.4)	Increase in investments
Interest received - outstanding receivables	37 559 160	51 619 577	(14 060 417)	(27.2)	Interest on arrear acounts due to economic conditions
	1 887 401 357	1 874 526 976	12 874 381	0.7	
Expenses					
Personnel	-	-	-	-	
Employee and Councillor costs	(397 490 764)	(397 490 154)	(610)	-	
Remuneration of councillors	-	-	-	-	
Transfer payments	(6 140 500)	(10 227 820)	4 087 320	(40.0)	INcreased consumption due to installation of electricty meters
Depreciation	(164 448 764)	(127 549 464)	(36 899 300)	28.9	Depreciation lower than budget. overbudgetd for
Financial Services	(75 673 231)	(121 990 020)	46 316 789	(38.0)	Interest on arrear accounts not budgeted for
Debt impairment	-	-	-	-	
Repairs and maintenance - General	(95 069 189)	(95 047 845)	(21 344)	-	
Bulk purchases	(762 691 056)	(719 281 040)	(43 410 016)	6.0	
Contracted Services	(41 482 847)	(41 482 841)	(6)	-	
Grants and subsidies paid	-	-	-	-	
General Expenses	-	-	-	-	
General Expenditure departments	(98 873 669)	(91 252 069)	(7 621 600)	8.4	
Contribution to Provisions	(125 672 066)	(151 575 631)	25 903 565	(17.1)	Contribution for post retirement benefit not budgeted for . Not cash flow item as well as provision for staff leave
	(1 767 542 086)	(1 755 896 884)	(11 645 202)	0.7	
Other revenue and costs					
Net surplus/ (deficit) for the year	119 859 271	118 630 092	1 229 179	1.0	

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
																		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

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

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2014

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2014