MALUTI-A-PHOFUNG GROUP
Annual Financial Statements
for the year ended 30 June 2014

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Local governance activities
Mayoral committee	Lebesa MJ Mboso LA Mohlabi ML Mokoena JM Mokotso GT Mokubung ML Mosia MM Mositi MC Nhlapo MA Thebe TR Tsotetsi MJ
Executive Mayor	Tshabalala VW
Chief Whip	Thebe TR
Speaker	Nthedi AM
Councillors	Crockett M Hlatswayo TF Khambule M Khoapa NA Khoarai MI Kleynhans LM Komako AM Lebesa MB Lebesana PJ Letaoane TT Letooane SG Mahamuza LP Mahlambi TJ Mahlatsi A Majake MI Malinga DN Masheane DA Matjele MP Mavuso TM Mazibuko MR Mbongo JM Mkhwanazi TI Mofana MM Mofokeng BD Mofokeng K Mohlekwa TR Mohoaladi ME Mojakisane NS Mokoena DJ

General Information

	Mokoena LE Molaba TE Moloi L Mopeli MS Mopeli N Moseme LA Mosikide MF Mosikidi TJ Mosikili ST Motaung ME Motaung PM Motaung SJ Motloung MM Mpakathe MP Ntamane VM Radebe FS Ramakarane TA Ramochela A Rantsane J Salamu MS Sehlako KM Semela DG Seobi MJ Sephula PE Shabalala M Taaso BM Thakhuli ND Tolofi ME
Municipal demarcation code	FS194
Grading of local authority	Grade 4
Capacity of local authority	High
Chief Finance Officer (CFO)	Mofokeng M
Accounting Officer	Taetsane TC
Registered office	Cnr Moremoholo and Motloung Streets Setsing Business Center Phuthaditjhaba 9866
Postal address	Private Bag X805 Witsieshoek 9866
Bankers	First National Bank Ltd
Auditors	Auditor General of South Africa (Free State)
Attorneys	Balden and Vogel Partners Breytenbach Mavuso Incorporated

General Information

Hill Mchardy and Herbst Incorporated
Peyper Attorneys
Rossouws Attorneys
Sunil Narian Incorporated
Uys Mathebula Attorneys

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

Abbreviations

SALGA	South African Local Government Authority
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
VAT	Value added tax
SARS	South African Revenue Services
RDP	Rural Development Project
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
UIF	Unemployed Insurance Fund
PAYE	Pay As You Earn
SDL	Skills Development Levy

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The external auditors are responsible for auditing and reporting on the economic entity's annual financial statements. The annual financial statements have been examined by the economic entity's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 110, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on his behalf by:

Taetsane TC
Municipal Manager
Date: 31 August 2014
Phuthaditjhaba

Audit Committee Report

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

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 5 meetings were held.

Name of member	Number of meetings attended
Ntsala GA (Chairperson)	5
Mohlahlo EM (resigned during July 2013)	0
Mbange BL (appointed in October 2013)	3
Motheke M (resigned during September 2013)	1
Simelane S (appointed in October 2013)	4

Audit committee responsibility

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

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

The effectiveness of internal control

The system of internal controls applied by the economic entity over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

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

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the accounting officer of the economic entity during the year under review.

Evaluation of annual financial statements

The audit committee has:
- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the accounting officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

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

Internal audit

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

Chairperson of the Audit Committee	**Date**

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 economic entity is engaged in local governance activities.

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

Net deficit of the economic entity was R 203 941 453 (2013: deficit R 186 939 868).

2. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of R 2 677 681 455 (2013: surplus R2 846 318 545). In total the group had an accumulated surplus of R 2 545 028 287 (2013: R 2 748 969 740).

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. There has been a significant increase in the receivables impairment provision, water losses are significant and the current liabilities exceed the current assets. However, the accounting officer continue to procure funding for the ongoing operations, a receivable data cleansing and collection process are planned which will result in revenue enhancement and improvement in debt collection, in addition the municipality should be able to operate within its overdraft. The accounting officer are not aware of any reason why the overdraft facility should not be extended. As a result a going concern basis of accounting has been adopted.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

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

4. Accounting policies

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

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is Taetsane TC.

6. Interest in controlled entities

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Maluti-a-Phofung Water SOC Ltd

Maluti-a-Phofung is the parent of Maluti-a-Phofung Water SOC Ltd entity and holds 100% interest.

Details of the municipality's investment in controlled entities are set out in note 11.

7. Auditors

Auditor General of South Africa (Free State)

8. Non compliance with applicable legislation

The municipality did not fully comply to the MFMA, due to various reasons.

Statement of Financial Position as at 30 June 2014

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2014	2013 Restated*	2014	2013 Restated*
Assets					
Current Assets					
Cash and cash equivalents	3	3 902 573	12 598 568	3 900 070	5 650 893
Inventories	4	195 618 261	196 762 920	192 154 000	192 591 066
Receivables from exchange transactions	5	6 436 957	18 658 858	6 436 957	18 658 858
Consumer receivables	6	201 235 900	90 855 746	268 825 723	132 257 517
Receivables from non-exchange transactions	13	45 311 257	43 839 301	7 831 275	20 802 718
Short term of long term receivable	14	7 119 617	12 866 400	7 117 425	12 866 400
VAT receivable	15	-	6 073 492	-	1 078 149
		459 624 565	**381 655 285**	**486 265 450**	**383 905 601**
Non-Current Assets					
Investment property	7	42 519 902	42 876 528	42 519 902	42 876 528
Property, plant and equipment	8	2 877 832 906	2 884 735 475	2 870 207 498	2 876 725 069
Intangible assets	9	1 478	106 247	1 478	106 247
Heritage assets	10	4	40	4	40
Investments in controlled entity	11	-	-	300	300
Other financial assets	12	736 239	630 251	736 239	630 251
Long term receivable	14	2 693 821	5 922 083	2 693 821	5 922 083
		2 923 784 350	**2 934 270 624**	**2 916 159 242**	**2 926 260 518**
Total Assets		**3 383 408 915**	**3 315 925 909**	**3 402 424 692**	**3 310 166 119**
Liabilities					
Current Liabilities					
Bank overdraft	3	47 829 741	37 970 227	47 770 029	37 970 227
VAT payable	15	6 988 510	-	16 188 425	-
Finance lease obligation	17	398 987	545 431	398 987	545 431
Unspent conditional grants and receipts	18	7 044 879	7 853 932	7 044 879	7 853 932
Other financial liabilities	19	2 872 995	2 485 265	2 872 995	2 485 265
Payables from exchange transactions	22	689 829 602	422 428 591	567 052 010	319 319 971
Taxes and transfers payable (non-exchange)	23	-	36 447	-	36 447
Consumer deposits	24	11 732 591	24 528 932	11 732 591	24 528 932
		766 697 305	**495 848 825**	**653 059 916**	**392 740 205**
Non-Current Liabilities					
Employee benefit obligation	16	12 290 000	11 181 000	12 290 000	11 181 000
Finance lease obligation	17	-	398 987	-	398 987
Other financial liabilities	19	13 762 196	17 016 609	13 762 196	17 016 609
Provisions	20	27 309 118	25 713 775	27 309 118	25 713 775
Long service liability	21	18 322 000	16 797 000	18 322 000	16 797 000
		71 683 314	**71 107 371**	**71 683 314**	**71 107 371**
Total Liabilities		**838 380 619**	**566 956 196**	**724 743 230**	**463 847 576**
Net Assets		**2 545 028 296**	**2 748 969 713**	**2 677 681 462**	**2 846 318 543**
Accumulated surplus		2 545 028 287	2 748 969 740	2 677 681 455	2 846 318 545

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2014	2013 Restated*	2014	2013 Restated*
Revenue					
Fines		842 712	938 254	842 712	938 254
Government grants and subsidies	25	645 516 111	635 002 409	645 516 111	635 002 409
Interest received - consumers	26	23 362 272	21 775 993	23 362 272	21 775 993
Interest received - investment	26	2 805 297	1 902 787	2 805 297	1 902 787
Other income	27	5 821 307	12 855 830	4 961 890	11 859 028
Property rates	28	160 019 099	140 721 400	167 544 300	147 150 223
Rental of facilities and equipment	29	967 908	1 000 633	967 908	1 000 633
Service charges	30	368 152 966	330 430 628	368 152 966	330 428 022
Total revenue		**1 207 487 672**	**1 144 627 934**	**1 214 153 456**	**1 150 057 349**
Expenditure					
Employee related costs	31	(305 825 445)	(259 244 775)	(230 286 976)	(198 636 435)
Remuneration of councillors	32	(20 173 891)	(19 419 954)	(20 133 891)	(19 389 954)
Community project expenditure	33	(72 313 653)	(10 046 856)	(72 313 653)	(10 046 856)
Debt impairment	34	(193 724 288)	(57 059 389)	(183 812 901)	(56 209 276)
Depreciation and amortisation	35	(218 545 901)	(217 002 790)	(215 724 631)	(214 697 263)
Impairment loss/ Reversal of impairments		-	(80 222)	-	-
Finance costs	36	(5 976 693)	(7 966 805)	(5 769 356)	(7 582 504)
Repairs and maintenance	37	(86 348 124)	(92 710 311)	(72 185 093)	(79 761 701)
Bulk purchases	38	(269 840 977)	(323 093 116)	(282 062 323)	(353 257 400)
Contracted services	39	(85 894 531)	(131 376 530)	(79 387 585)	(122 158 495)
Grants and subsidies paid	40	-	-	(80 000 000)	(77 723 000)
Loss on disposal of assets	40	-	(217 697)	-	-
General expenses	41	(152 891 611)	(125 367 119)	(141 220 123)	(108 677 754)
Total expenditure		**(1 411 535 114)**	**(1 243 585 564)**	**(1 382 896 532)**	**(1 248 140 638)**
Operating deficit		**(204 047 442)**	**(98 957 630)**	**(168 743 076)**	**(98 083 289)**
Fair value adjustments	42	105 989	86 404	105 989	86 404
Restatement of assets in prior year		-	(88 068 642)	-	(88 068 642)
		105 989	**(87 982 238)**	**105 989**	**(87 982 238)**
Deficit for the year		**(203 941 453)**	**(186 939 868)**	**(168 637 087)**	**(186 065 527)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Balance at 01 July 2012	**2 935 909 608**	**2 935 909 608**
Changes in net assets		
Surplus for the year	(186 939 868)	(186 939 868)
Total changes	(186 939 868)	(186 939 868)
Restated* Balance at 01 July 2013	**2 748 969 740**	**2 748 969 740**
Changes in net assets		
Surplus for the year	(203 941 453)	(203 941 453)
Total changes	(203 941 453)	(203 941 453)
Balance at 30 June 2014	**2 545 028 287**	**2 545 028 287**
Note(s)		
Controlling entity		
Opening balance as previously reported	3 020 983 621	3 020 983 621
Adjustments		
Correction of errors (refer to note 49)	11 400 451	11 400 451
Balance at 01 July 2012 as restated*	**3 032 384 072**	**3 032 384 072**
Changes in net assets		
Surplus/(Deficit) for the year	(186 065 527)	(186 065 527)
Total changes	(186 065 527)	(186 065 527)
Restated* Balance at 01 July 2013	**2 846 318 542**	**2 846 318 542**
Changes in net assets		
Deficit for the year	(168 637 087)	(168 637 087)
Total changes	(168 637 087)	(168 637 087)
Balance at 30 June 2014	**2 677 681 455**	**2 677 681 455**

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2014	2013 Restated*	2014	2013 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		221 689 761	479 397 665	229 214 962	485 823 882
Grants		644 707 058	632 575 916	644 707 058	632 575 916
Interest income from investing activities		2 805 297	1 902 787	2 805 297	1 902 787
Other receipts		6 437 780	12 029 410	19 743 953	13 180 088
		875 639 896	1 125 905 778	896 471 270	1 133 482 673
Payments					
Employee costs		(325 999 336)	(278 664 729)	(250 420 867)	(218 026 389)
Suppliers		(261 968 839)	(519 443 272)	(294 687 361)	(538 180 980)
Finance costs		(5 976 693)	(7 966 805)	(5 769 356)	(7 582 504)
Other payments		(94 633 759)	(76 648 995)	(153 963 776)	(132 205 350)
		(688 578 627)	(882 723 801)	(704 841 360)	(895 995 223)
Net cash flows from operating activities	45	**187 061 269**	**243 181 977**	**191 629 910**	**237 487 450**
Cash flows from investing activities					
Purchase of property, plant and equipment	8	(217 043 648)	(281 402 250)	(214 607 377)	(278 226 492)
Proceeds from sale of property, plant and equipment	8	5 861 718	240 848	5 861 718	-
Movements in other financial assets		-	1 770 352	-	1 770 352
Movement in non-current receivables		8 977 240	1 396 408	8 977 240	1 396 408
Net cash flows from investing activities		**(202 204 689)**	**(277 994 642)**	**(199 768 419)**	**(275 059 732)**
Cash flows from financing activities					
Finance lease payments		(545 431)	(14 474 719)	(545 431)	(13 785 057)
Loans		(2 866 680)	5 355 026	(2 866 680)	5 355 026
Net cash flows from financing activities		**(3 412 111)**	**(9 119 693)**	**(3 412 111)**	**(8 430 031)**
Net increase/(decrease) in cash and cash equivalents		**(18 555 531)**	**(43 932 358)**	**(11 550 620)**	**(46 002 313)**
Cash and cash equivalents at the beginning of the year		(25 371 659)	18 560 701	(32 319 334)	13 682 979
Cash and cash equivalents at the end of the year	3	**(43 927 190)**	**(25 371 657)**	**(43 869 954)**	**(32 319 334)**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	458 924 263	(239 468 325)	**219 455 938**	368 152 966	**148 697 028**	
Rental of facilities and equipment	1 250 000	295 000	**1 545 000**	967 908	**(577 092)**	
Interest received (trading)	22 940 000	2 060 000	**25 000 000**	23 362 272	**(1 637 728)**	
Other income - (rollup)	67 600 000	124 757 915	**192 357 915**	5 821 307	**(186 536 608)**	
Interest received - investment	1 800 000	-	**1 800 000**	2 805 297	**1 005 297**	
Total revenue from exchange transactions	**552 514 263**	**(112 355 410)**	**440 158 853**	**401 109 750**	**(39 049 103)**	
Revenue from non-exchange transactions						
Taxation revenue						
Direct taxes (Income tax, estate duty)	3 200 000	-	**3 200 000**	842 712	**(2 357 288)**	
Property rates	196 974 799	-	**196 974 799**	160 019 099	**(36 955 700)**	
Government grants & subsidies	719 210 000	(350 000 000)	**369 210 000**	645 516 111	**276 306 111**	
Total revenue from non-exchange transactions	**919 384 799**	**(350 000 000)**	**569 384 799**	**806 377 922**	**236 993 123**	
Total revenue	**1 471 899 062**	**(462 355 410)**	**1 009 543 652**	**1 207 487 672**	**197 944 020**	
Expenditure						
Personnel	(323 455 812)	2 456 453	**(320 999 359)**	(305 825 445)	**15 173 914**	
Remuneration of councillors	(24 240 000)	3 000 000	**(21 240 000)**	(20 173 891)	**1 066 109**	
Administration	-	-	**-**	(72 313 653)	**(72 313 653)**	
Depreciation and amortisation	(350 000 000)	197 300 000	**(152 700 000)**	(218 545 901)	**(65 845 901)**	
Finance costs	(8 000 000)	5 000 000	**(3 000 000)**	(5 976 693)	**(2 976 693)**	
Debt impairment	(55 343 850)	43 400 000	**(11 943 850)**	(193 724 288)	**(181 780 438)**	
Repairs and maintenance	(92 183 333)	(24 299 667)	**(116 483 000)**	(72 185 093)	**44 297 907**	
Bulk purchases	(273 472 063)	214 168 000	**(59 304 063)**	(269 840 977)	**(210 536 914)**	
Contracted Services	(105 000 000)	(450 000)	**(105 450 000)**	(85 894 531)	**19 555 469**	
General Expenses	(240 517 854)	21 780 299	**(218 737 555)**	(167 054 642)	**51 682 913**	
Total expenditure	**(1 472 212 912)**	**462 355 085**	**(1 009 857 827)**	**(1 411 535 114)**	**(401 677 287)**	
Operating deficit	**(313 850)**	**(325)**	**(314 175)**	**(204 047 442)**	**(203 733 267)**	
Fair value adjustments	-	-	**-**	105 989	**105 989**	
Deficit before taxation	**(313 850)**	**(325)**	**(314 175)**	**(203 941 453)**	**(203 627 278)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(313 850)**	**(325)**	**(314 175)**	**(203 941 453)**	**(203 627 278)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	444 000 000	(248 000 000)	**196 000 000**	368 152 966	**172 152 966**	59
Rental of facilities and equipment	1 250 000	295 000	**1 545 000**	967 908	**(577 092)**	59
Interest received (trading)	22 940 000	2 060 000	**25 000 000**	23 362 272	**(1 637 728)**	59
Other income - (rollup)	67 600 000	124 757 915	**192 357 915**	4 961 890	**(187 396 025)**	59
Interest received - investment	1 800 000	-	**1 800 000**	2 805 297	**1 005 297**	59
Total revenue from exchange transactions	**537 590 000**	**(120 887 085)**	**416 702 915**	**400 250 333**	**(16 452 582)**	
Revenue from non-exchange transactions						
Taxation revenue						
Direct taxes (Income tax, estate duty)	3 200 000	-	**3 200 000**	842 712	**(2 357 288)**	59
Property rates	204 500 000	-	**204 500 000**	167 544 300	**(36 955 700)**	59
Government grants & subsidies	719 210 000	(350 000 000)	**369 210 000**	645 516 111	**276 306 111**	59
Total revenue from non-exchange transactions	**926 910 000**	**(350 000 000)**	**576 910 000**	**813 903 123**	**236 993 123**	
Total revenue	**1 464 500 000**	**(470 887 085)**	**993 612 915**	**1 214 153 456**	**220 540 541**	
Expenditure						
Personnel	(245 431 813)	2 456 453	**(242 975 360)**	(230 286 976)	**12 688 384**	59
Remuneration of councillors	(24 000 000)	3 000 000	**(21 000 000)**	(20 133 891)	**866 109**	59
Community project expenditure	-	-	**-**	(72 313 653)	**(72 313 653)**	59
Depreciation and amortisation	(350 000 000)	200 000 000	**(150 000 000)**	(215 724 631)	**(65 724 631)**	
Finance costs	(8 000 000)	5 000 000	**(3 000 000)**	(5 769 356)	**(2 769 356)**	
Debt impairment	(55 000 000)	43 400 000	**(11 600 000)**	(183 812 901)	**(172 212 901)**	59
Repairs and maintenance	(92 183 333)	(24 299 667)	**(116 483 000)**	(72 185 093)	**44 297 907**	59
Bulk purchases	(300 000 000)	220 000 000	**(80 000 000)**	(282 062 323)	**(202 062 323)**	
Contracted Services	(105 000 000)	(450 000)	**(105 450 000)**	(79 387 585)	**26 062 415**	
Grants and subsidies paid	(80 000 000)	-	**(80 000 000)**	(80 000 000)	**-**	59
General expenses	(204 884 854)	21 780 299	**(183 104 555)**	(141 220 123)	**41 884 432**	59
Total expenditure	**(1 464 500 000)**	**470 887 085**	**(993 612 915)**	**(1 382 896 532)**	**(389 283 617)**	
Operating deficit	**-**	**-**	**-**	**(168 743 076)**	**(168 743 076)**	
Fair value adjustments	-	-	**-**	105 989	**105 989**	
Deficit before taxation	**-**	**-**	**-**	**(168 637 087)**	**(168 637 087)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**(168 637 087)**	**(168 637 087)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	724 857 000	(322 083 000)	**402 774 000**	308 049 808	**(94 724 192)**	
Grants	629 343 000	27 225 000	**656 568 000**	644 707 058	**(11 860 942)**	
Interest income	1 800 000	-	**1 800 000**	2 805 297	**1 005 297**	
	1 356 000 000	**(294 858 000)**	**1 061 142 000**	**955 562 163**	**(105 579 837)**	
Payments						
Suppliers and employees	(949 000 000)	277 285 000	**(671 715 000)**	(559 125 294)	**112 589 706**	
Finance costs	(8 000 000)	5 000 000	**(3 000 000)**	(4 174 013)	**(1 174 013)**	
Other payments	(80 000 000)	-	**(80 000 000)**	(145 051 074)	**(65 051 074)**	
	(1 037 000 000)	**282 285 000**	**(754 715 000)**	**(708 350 381)**	**46 364 619**	
Net cash flows from operating activities	**319 000 000**	**(12 573 000)**	**306 427 000**	**247 211 782**	**(59 215 218)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(269 133 000)	(20 125 000)	**(289 258 000)**	(220 450 894)	**68 807 106**	
Proceeds from sale of property, plant and equipment	43 783 000	(43 783 000)	**-**	5 861 754	**5 861 754**	
Proceeds from sale of financial assets	2 568 000	-	**2 568 000**	-	**(2 568 000)**	
Net cash flows from investing activities	**(222 782 000)**	**(63 908 000)**	**(286 690 000)**	**(214 589 140)**	**72 100 860**	
Cash flows from financing activities						
Repayment of other financial liabilities	(15 000 000)	10 845 000	**(4 155 000)**	(545 431)	**3 609 569**	
Proceeds from other financial liabilities	12 029 000	(12 029 000)	**-**	(2 866 683)	**(2 866 683)**	
Net cash flows from financing activities	**(2 971 000)**	**(1 184 000)**	**(4 155 000)**	**(3 412 114)**	**742 886**	
Net increase/(decrease) in cash and cash equivalents	93 247 000	(77 665 000)	**15 582 000**	29 210 528	**13 628 528**	
Cash and cash equivalents at the beginning of the year	(87 738 000)	-	**(87 738 000)**	(34 637 734)	**53 100 266**	
Cash and cash equivalents at the end of the year	**5 509 000**	**(77 665 000)**	**(72 156 000)**	**(5 427 206)**	**66 728 794**	
Reconciliation						

Economic entity - 2014

Financial Performance											
Property rates	204 500 000	-	204 500 000	-		204 500 000	160 019 099		(44 480 901)	78 %	78 %
Service charges	161 223 000	57 020 000	218 243 000	-		218 243 000	368 152 966		149 909 966	169 %	228 %
Investment revenue	1 800 000	-	1 800 000	-		1 800 000	2 805 297		1 005 297	156 %	156 %
Transfers recognised - operational	371 435 000	80 000 000	451 435 000	-		451 435 000	365 116 100		(86 318 900)	81 %	98 %
Other own revenue	220 279 915	-	220 279 915	-		220 279 915	31 100 188		(189 179 727)	14 %	14 %
Total revenue (excluding capital transfers and contributions)	**959 237 915**	**137 020 000**	**1 096 257 915**	**-**		**1 096 257 915**	**927 193 650**		**(169 064 265)**	**85 %**	**97 %**
Employee costs	(250 078 297)	(81 523 346)	(331 601 643)	-	-	(331 601 643)	(305 825 445)	-	25 776 198	92 %	122 %
Remuneration of councillors	(22 429 888)	(239 999)	(22 669 887)	-	-	(22 669 887)	(20 173 891)	-	2 495 996	89 %	90 %
Debt impairment	(11 600 000)	-	(11 600 000)			(11 600 000)	(193 724 288)	-	(182 124 288)	1 670 %	1 670 %
Depreciation and asset impairment	(150 000 000)	(2 836 924)	(152 836 924)			(152 836 924)	(218 545 901)	-	(65 708 977)	143 %	146 %
Finance charges	(3 100 000)	(105 000)	(3 205 000)	-	-	(3 205 000)	(5 976 693)	-	(2 771 693)	186 %	193 %
Materials and bulk purchases	(110 000 000)	(20 376 918)	(130 376 918)	-	-	(130 376 918)	(269 840 977)	-	(139 464 059)	207 %	245 %
Transfers and grants	(80 000 000)	-	(80 000 000)	-	-	(80 000 000)	-	-	80 000 000	- %	- %
Other expenditure	(768 062 736)	(31 927 810)	(799 990 546)	-	-	(799 990 546)	(397 447 919)	-	402 542 627	50 %	52 %
Total expenditure	**(1 395 270 921)**	**(137 009 997)**	**(1 532 280 918)**	**-**	**-**	**(1 532 280 918)**	**(1 411 535 114)**	**-**	**120 745 804**	**92 %**	**101 %**
Surplus/(Deficit)	**(436 033 006)**	**10 003**	**(436 023 003)**	**-**		**(436 023 003)**	**(484 341 464)**		**(48 318 461)**	**111 %**	**111 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	436 033 000	-	436 033 000	-		436 033 000	280 400 011		(155 632 989)	64 %	64 %
Surplus (Deficit) after capital transfers and contributions	**(6)**	**10 003**	**9 997**	**-**		**9 997**	**(203 941 453)**		**(203 951 450)**	**040 027)%**	**024 217 %**
Surplus/(Deficit) for the year	**(6)**	**10 003**	**9 997**	**-**		**9 997**	**(203 941 453)**		**(203 951 450)**	**040 027)%**	**024 217 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Controlling entity - 2014											
Financial Performance											
Property rates	204 500 000	-	204 500 000	-		204 500 000	167 544 300		(36 955 700)	82 %	82 %
Service charges	444 000 000	(248 000 000)	196 000 000	-		196 000 000	368 152 966		172 152 966	188 %	83 %
Investment revenue	1 800 000	-	1 800 000	-		1 800 000	2 805 297		1 005 297	156 %	156 %
Transfers recognised - operational	369 210 000	-	369 210 000	-		369 210 000	645 516 111		276 306 111	175 %	175 %
Other own revenue	444 990 000	(222 887 000)	222 103 000	-		222 103 000	30 475 434		(191 627 566)	14 %	7 %
Total revenue (excluding capital transfers and contributions)	**1 464 500 000**	**(470 887 000)**	**993 613 000**	**-**		**993 613 000**	**1 214 494 108**		**220 881 108**	**122 %**	**83 %**
Employee costs	(245 432 000)	2 456 000	(242 976 000)	-	-	(242 976 000)	(230 286 976)	-	12 689 024	95 %	94 %
Remuneration of councillors	(24 000 000)	3 000 000	(21 000 000)	-	-	(21 000 000)	(20 133 891)	-	866 109	96 %	84 %
Debt impairment	(55 000 000)	43 400 000	(11 600 000)			(11 600 000)	(183 812 901)	-	(172 212 901)	1 585 %	334 %
Depreciation and asset impairment	(350 000 000)	200 000 000	(150 000 000)			(150 000 000)	(215 724 631)	-	(65 724 631)	144 %	62 %
Finance charges	(8 000 000)	5 000 000	(3 000 000)	-	-	(3 000 000)	(5 769 356)	-	(2 769 356)	192 %	72 %
Materials and bulk purchases	(300 000 000)	220 000 000	(80 000 000)	-	-	(80 000 000)	(282 062 323)	-	(202 062 323)	353 %	94 %
Transfers and grants	(80 000 000)	-	(80 000 000)	-	-	(80 000 000)	(80 000 000)	-	-	100 %	100 %
Other expenditure	(402 068 000)	(2 970 000)	(405 038 000)	-	-	(405 038 000)	(365 106 454)	-	39 931 546	90 %	91 %
Total expenditure	**(1 464 500 000)**	**470 886 000**	**(993 614 000)**	**-**	**-**	**(993 614 000)**	**(1 382 896 532)**	**-**	**(389 282 532)**	**139 %**	**94 %**
Surplus/(Deficit)	**-**	**(1 000)**	**(1 000)**	**-**		**(1 000)**	**(168 402 424)**		**(168 401 424)**	**840 242 %**	**DIV/0 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	269 133	20 125 000	20 394 133	-		20 394 133	-		(20 394 133)	- %	- %
Surplus (Deficit) after capital transfers and contributions	**269 133**	**20 124 000**	**20 393 133**	**-**		**20 393 133**	**(168 402 424)**		**(188 795 557)**	**(826)%**	**(62 572)%**
Fair value adjustments	-	-	-	-		-	(105 989)		(105 989)	DIV/0 %	DIV/0 %
Restatement of assets in prior year	-	-	-	-		-	(45 637 154)		(45 637 154)	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	**269 133**	**20 124 000**	**20 393 133**	**-**		**20 393 133**	**(122 659 281)**		**(143 052 414)**	**(601)%**	**(45 576)%**

Capital expenditure and funds sources

Total capital expenditure	-	-	-	-		-	709 130 705		709 130 705	DIV/0 %	DIV/0 %

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	94 360 000	2 433 000	96 793 000	-		96 793 000	191 629 910		94 836 910	198 %	203 %
Net cash from (used) investing	-	-	-	-		-	(199 768 419)		(199 768 419)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	(3 412 111)		(3 412 111)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**94 360 000**	**2 433 000**	**96 793 000**	**-**		**96 793 000**	**(11 550 620)**		**(108 343 620)**	**(12)%**	**(12)%**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	(32 319 334)		(32 319 334)	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**94 360 000**	**2 433 000**	**96 793 000**	**-**		**96 793 000**	**(43 869 954)**		**140 662 954**	**(45)%**	**(46)%**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements 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:

Receivables

The economic entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the economic entity 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, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

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

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

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 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 industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

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

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the economic entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Effective interest rate

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

Allowance for impairment

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

1.3 Investment property

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

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

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

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

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

1.3 Investment property (continued)

Cost model

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

Depreciation is provided to write down the cost, less estimated residual value, on a straight line basis over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	5 - 30 years

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

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

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

1.4 Property, plant and equipment

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

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

Property, plant and equipment are initially recognised at cost.

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

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

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

1.4 Property, plant and equipment (continued)

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 are carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	**Average useful life**
Land	Indefinite
Buildings	5 - 30 years
Intangibles	
• Computer software	2 - 5 years
Infrastructure	
• Electricity	3 - 80 years
• Sewerage	10 - 60 years
• Water	5 - 100 years
• Bridges	10 - 80 years
• Storm water	25 - 100 years
• Roads	3 - 60 years
• Airport	10 - 30 years
• Solid waste disposal	5 - 55 years
• Rail ways	15 - 30 years
• Gas supplies systems	10 - 50 years
• Cemetery	25 - 30 years
Community	25 - 30 years
Landfill sites	10 - 55 years
Investment property	
• Property - land	Indefinite
• Property - buildings	5 - 30 years
Work in progress	0 years
Heritage	Indefinite
Other assets	3 - 20 years

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

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

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

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

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

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

1.5 Site restoration and dismantling cost

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

The related asset is measured using the cost model:

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

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the economic entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the economic entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost.

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

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

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

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

Accounting Policies

1.6 Intangible assets (continued)

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

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

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

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

Item	Useful life
Computer software	2 - 5 years

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

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

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

Where the economic entity holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 10 Heritage assets.

Initial measurement

Heritage assets are initially recognised at cost.

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

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Impairment

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

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Accounting Policies

1.7 Heritage assets (continued)

Derecognition

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

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

1.8 Investments in controlled entity

Controlling entity annual financial statements

In the municipality's separate annual financial statements, investments in investments in controlled entity are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.9 Financial instruments

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

Classification

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

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

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Other payables	Financial liability measured at amortised cost
Bank overdrafts and borrowings	Financial liability measured at amortised cost

Initial recognition

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

The economic entity recognises financial assets using trade date accounting.

Accounting Policies

1.9 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

The economic entity measures all other financial assets and financial liabilities initially at fair value.

The economic entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the economic entity analyses a concessionary loan into its component parts and accounts for each component separately. The economic entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Accounting Policies

1.9 Financial instruments (continued)

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

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

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

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

Financial assets measured at cost:

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

1.9 Financial instruments (continued)

Derecognition

Financial assets

The economic entity derecognised financial assets using trade date accounting.

The economic entity derecognised a financial asset only when:

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

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

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

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

Financial liabilities

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

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

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

1.10 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 building elements, the economic entity assesses the classification of each element separately.

Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

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

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

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

Current replacement cost is the cost the economic 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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

Accounting Policies

1.11 Inventories (continued)

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

1.12 Non-current assets held for sale and disposal groups

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

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

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

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

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the economic entity 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 economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

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

Value in use

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

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity 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.

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity 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 economic entity uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

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

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

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

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

In allocating an impairment loss, the economic 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.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Impairment of non-cash-generating assets

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

Identification

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

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

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

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Accumulated surplus reserve

The municipality's surplus or deficit for the year is accumulated in the accumulated surplus reserve in the statement of changes in net assets.

The accumulated surplus/deficit represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure are debited/credit against accumulated surplus when retrospective adjustments are made.

1.16 Value-added Tax

The municipality accounts for value-added tax (VAT) on the payment basis.

1.17 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 economic entity during a reporting period, the economic entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

The economic entity recognises the expected cost of bonus, incentive and performance related payments when the economic entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the economic 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 economic entity provides post-employment benefits for one or more employees.

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

Accounting Policies

1.17 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

- the amount determined above; and

Accounting Policies

1.17 Employee benefits (continued)

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

The economic entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

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

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

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

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

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

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

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

Accounting Policies

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Long service employee benefit

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

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

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

Accounting Policies

1.17 Employee benefits (continued)

Termination benefits

On termination of service, an employee shal be paid his leave entitlement, as calculated in terms of the relevant provision to the Basic Conditions of Employement Act 75 of 1997.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.18 Provisions and contingencies

Provisions are recognised when:
- the economic entity 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 economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

Provisions are not recognised for future operating expenditure.

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

Accounting Policies

1.18 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 47.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the economic entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the economic entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

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

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

1.19 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.

Accounting Policies

1.19 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 economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity 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 economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards is recognised based on consumption, except where a reliable estimate cannot be made after every reasonable effort to gather the appropriate information had been made. In these instances revenue is recognised at the point-of-sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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 economic entity;
- 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 .

Interest, royalties and dividends

Revenue arising from the use by others of municipality 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.

1.20 Revenue from non-exchange transactions

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

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

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

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.

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

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

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

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.

Taxes (Property rates for municipalities)

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

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

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

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

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

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

1.20 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 50 for detail.

1.22 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.

1.23 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.

1.24 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 economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

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

1.25 Grants in aid

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

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;

1.25 Grants in aid (continued)

- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

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

1.26 Commitments

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

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

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

1.27 Budget information

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

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

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

1.28 Related parties

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

Management is those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity 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 economic entity.

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

1.29 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

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

1.30 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2014	2013	2014	2013

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 25: Employee Benefits

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

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

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

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

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

All amendments to be applied retrospectively.

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

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

The impact of the standard is not material.

GRAP 27 and GRAP 31 (as revised 2012)

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

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

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

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

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

All amendments to be applied prospectively.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

The impact of the interpretation is not material.

IGRAP 16: Intangible Assets - Website Costs

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

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

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

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

Interpretation to be applied retrospectively.

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

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

The impact of the interpretaion is not material.

2.2 Standards and Interpretations early adopted

The economic entity has chosen to early adopt the following standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity’s accounting periods beginning on or after 01 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 economic entity. 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 economic entity’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

GRAP 105: Transfers of Functions Between Entities Under Common Control

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

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

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

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

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

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

The economic entity expects to adopt the standard for the first time once it become effective.

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

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

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

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

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

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

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

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

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

The economic entity 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 107: Mergers

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management.

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

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

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

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

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

GRAP 108: Statutory Receivables

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

The impact of the standard is currently being assessed.

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

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

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

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

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

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

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

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

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

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

All amendments to be applied prospectively.

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

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

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

GRAP 100 (revised 2013): Discontinued Operations

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

The expected impact of the amendment is currently being assessed.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8 038	7 208	5 535	7 050
Bank balances	-	6 947 517	-	-
Short-term deposits	1 684 162	2 318 400	1 684 162	2 318 400
Other cash and cash equivalents	2 210 373	3 325 443	2 210 373	3 325 443
Bank overdraft	(47 829 741)	(37 970 227)	(47 770 029)	(37 970 227)
	(43 927 168)	**(25 371 659)**	**(43 869 959)**	**(32 319 334)**
Current assets	3 902 573	12 598 568	3 900 070	5 650 893
Current liabilities	(47 829 741)	(37 970 227)	(47 770 029)	(37 970 227)
	(43 927 168)	**(25 371 659)**	**(43 869 959)**	**(32 319 334)**

The cash and cash equivalents held by the municipality may only be used in accordance with its mandate, as such no restrictions have been placed on the use of cash and cash equivalents for the operations of the municipality.

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2014	**30 June 2013**	**30 June 2012**	**30 June 2014**	**30 June 2013**	**30 June 2012**
First National Bank - Current	5 350 504	(8 690 990)	23 041 068	(47 770 028)	(37 970 227)	10 329 220
First National Bank - Savings	1 905 042	3 325 443	1 895 168	2 210 373	3 325 443	1 895 169
Total	**7 255 546**	**(5 365 547)**	**24 936 236**	**(45 559 655)**	**(34 644 784)**	**12 224 389**

4. Inventories

Consumable stores	5 430 043	6 489 489	2 238 708	2 675 538
Water	188 331	130 034	-	-
Fuel (Diesel, Petrol)	84 595	228 105	-	236
	5 702 969	6 847 628	2 238 708	2 675 774
Inventories (write-downs)	189 915 292	189 915 292	189 915 292	189 915 292
	195 618 261	**196 762 920**	**192 154 000**	**192 591 066**

5. Receivables from exchange transactions

Deposits - Eskom	2 503 610	1 853 921	2 503 610	1 853 921
Deposits owed by consumers	-	12 801 100	-	12 801 100
TATS Electrical Services	3 434 647	4 003 837	3 434 647	4 003 837
Other receivables	498 700	-	498 700	-
	6 436 957	**18 658 858**	**6 436 957**	**18 658 858**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*
6. Consumer receivables				
Gross balances				
Electricity	241 037 137	74 576 800	241 037 137	74 576 800
Water	131 519 723	131 919 025	177 676 956	161 802 095
Sewerage	67 286 601	70 057 677	67 286 601	70 057 677
Refuse	77 431 042	79 812 204	77 431 042	79 812 204
Sundry receivables	116 744 477	84 285 651	116 744 477	84 285 651
	634 018 980	**440 651 357**	**680 176 213**	**470 534 427**
Less: Allowance for impairment				
Electricity	(63 226 325)	(38 113 269)	(63 226 325)	(38 113 269)
Water	(192 225 729)	(150 930 273)	(170 793 139)	(139 411 572)
Sewerage	(65 083 332)	(55 713 712)	(65 083 332)	(55 713 712)
Refuse	(76 383 199)	(69 197 791)	(76 383 199)	(69 197 791)
Sundry receivables	(35 864 495)	(35 840 566)	(35 864 495)	(35 840 566)
	(432 783 080)	**(349 795 611)**	**(411 350 490)**	**(338 276 910)**
Net balance				
Electricity	177 810 812	36 463 531	177 810 812	36 463 531
Water	(60 706 006)	(19 011 248)	6 883 817	22 390 523
Sewerage	2 203 269	14 343 965	2 203 269	14 343 965
Refuse	1 047 843	10 614 413	1 047 843	10 614 413
Sundry receivables	80 879 982	48 445 085	80 879 982	48 445 085
	201 235 900	**90 855 746**	**268 825 723**	**132 257 517**
Electricity				
Current (0 -30 days)	175 852 676	25 020 200	175 852 676	25 020 200
31 - 60 days	1 958 136	2 665 764	1 958 136	2 665 764
61 - 90 days	-	270 591	-	270 591
> 91days	-	8 506 976	-	8 506 976
	177 810 812	**36 463 531**	**177 810 812**	**36 463 531**
Water				
Current (0 -30 days)	5 491 162	14 428 583	5 491 162	4 391 860
31 - 60 days	1 127 320	3 992 726	1 392 655	1 127 320
61 - 90 days	-	5 231 361	-	327 848
> 91 days	(67 324 488)	(42 663 918)	-	16 543 495
	(60 706 006)	**(19 011 248)**	**6 883 817**	**22 390 523**
Sewerage				
Current (0 -30 days)	2 177 264	2 030 793	2 177 264	2 030 793
31 - 60 days	26 005	361 390	26 005	361 390
61 - 90 days	-	227 264	-	227 264
> 91 days	-	11 724 518	-	11 724 518
	2 203 269	**14 343 965**	**2 203 269**	**14 343 965**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

6. Consumer receivables (continued)

Refuse				
Current (0 -30 days)	1 047 843	1 370 178	1 047 843	1 370 178
31 - 60 days	-	262 785	-	262 785
61 - 90 days	-	203 327	-	203 327
> 91 days	-	8 778 123	-	8 778 123
	1 047 843	**10 614 413**	**1 047 843**	**10 614 413**

Sundry receivables				
Current (0 -30 days)	80 879 982	9 882 752	80 879 982	9 882 752
31 - 60 days	-	2 385 742	-	2 385 742
61 - 90 days	-	741 653	-	741 653
> 91 days	-	35 434 938	-	35 434 938
	80 879 982	**48 445 085**	**80 879 982**	**48 445 085**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*
6. Consumer receivables (continued)				
Summary of debtors by customer classification				
Commercial				
Current (0 -30 days)	169 548 962	85 717 306	169 548 962	85 717 306
31 - 60 days	3 198 883	1 617 230	3 198 883	1 617 230
61 - 90 days	1 538 120	777 613	1 538 120	777 613
> 91 days	65 527 654	33 128 212	65 527 654	33 128 212
	239 813 619	121 240 361	239 813 619	121 240 361
Less: Allowance for impairment	(67 548 280)	(34 522 279)	(67 548 280)	(34 522 279)
	172 265 339	**86 718 082**	**172 265 339**	**86 718 082**
Residential				
Current (0 -30 days)	17 726 702	8 961 925	17 726 702	8 961 925
31 - 60 days	9 139 584	4 620 615	9 139 584	4 620 615
61 - 90 days	7 848 629	3 967 959	7 848 629	3 967 959
> 91 days	442 777 270	223 850 824	442 777 270	223 850 824
	477 492 185	241 401 323	477 492 185	241 401 323
Less: Allowance for impairment	(405 328 523)	(207 153 528)	(405 328 523)	(207 153 528)
	72 163 662	**34 247 795**	**72 163 662**	**34 247 795**
Departmental				
Current (0 -30 days)	9 953 314	5 032 005	9 953 314	5 032 005
31 - 60 days	8 938 940	4 519 178	8 938 940	4 519 178
61 - 90 days	6 116 206	3 092 114	6 116 206	3 092 114
> 91 days	188 403 546	95 249 445	188 403 546	95 249 445
	213 412 006	107 892 742	213 412 006	107 892 742
Less: Allowance for impairment	(189 015 281)	(96 601 103)	(189 015 281)	(96 601 103)
	24 396 725	**11 291 639**	**24 396 725**	**11 291 639**
Total				
Current (0 -30 days)	200 197 486	109 747 960	197 228 978	99 711 237
31 - 60 days	23 688 638	13 622 428	21 277 406	10 757 022
61 - 90 days	17 145 140	12 741 199	15 502 955	7 837 686
91 - 120 days	-	972 017	-	-
> 91 days	392 987 716	303 567 753	446 166 874	352 228 482
	634 018 980	440 651 357	680 176 213	470 534 427
Less: Allowance for impairment	(432 783 080)	(349 795 611)	(411 350 490)	(338 276 910)
	201 235 900	**90 855 746**	**268 825 723**	**132 257 517**
Less: Allowance for impairment				
31 - 60 days	(480 219)	(394 911)	(480 219)	(394 911)
61 - 90 days	(9 125 258)	(7 504 219)	(9 125 258)	(7 504 219)
91 - 120 days	(7 434 996)	(6 114 220)	(7 434 996)	(6 114 220)
> 365 days	(415 742 607)	(335 782 261)	(394 310 017)	(324 263 560)
	(432 783 080)	**(349 795 611)**	**(411 350 490)**	**(338 276 910)**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

6. Consumer receivables (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(349 795 611)	(326 481 303)	(338 276 910)	(315 810 186)
Debt impairment written off against allowance	(82 987 469)	(23 314 308)	(73 073 580)	(22 466 724)
	(432 783 080)	**(349 795 611)**	**(411 350 490)**	**(338 276 910)**

Consumer debtors pledged as security

During the year no consumer receivables were pledged as security.

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

Receivables from exchange transactions past due but not impaired

VAT on consumer receivables and consumer receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2014, R 170 116 641 (2013: R 31 114 976) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current (0-30 days)	168 552 180	25 214 959	168 552 180	25 214 959
31 - 60 days	1 564 461	4 750 259	1 564 461	4 750 259
> 60 days	1 700 000	1 149 758	-	1 149 758

Receivables from exchange transactions impaired

The amount of the allowance was R 508 380 460 as of 30 June 2014 (2013: R 538 039 423).

The ageing of these receivables is as follows:

0 - 90 days	41 536 329	50 650 301	41 536 329	43 863 525
Over 90 days	483 179 280	504 070 622	466 844 132	494 175 898

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The economic entity does not hold any collateral as security.

7. Investment property

Economic entity	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	45 729 533	(3 209 631)	42 519 902	45 729 534	(2 853 006)	42 876 528

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

7. Investment property (continued)

Controlling entity	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	45 729 533	(3 209 631)	42 519 902	45 729 534	(2 853 006)	42 876 528

Reconciliation of investment property - Controlling entity - 2014

	Opening balance	**Depreciation**	**Total**
Investment property	42 876 528	(356 626)	42 519 902

Reconciliation of investment property - Controlling entity - 2013

	Opening balance	**Depreciation**	**Total**
Investment property	43 233 154	(356 626)	42 876 528

Pledged as security

No investment property have been pledged as security for loans at year-end.

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

8. Property, plant and equipment

Economic entity	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	496 759 053	-	496 759 053	496 759 053	-	496 759 053
Buildings	166 665 944	(43 866 479)	122 799 465	166 136 338	(38 322 507)	127 813 831
Plant and machinery	6 927 702	(4 723 504)	2 204 198	6 494 821	(3 618 353)	2 876 468
Infrastructure	3 343 251 620	(2 011 689 902)	1 331 561 718	3 337 871 628	(1 834 197 248)	1 503 674 380
Community	405 509 918	(95 140 837)	310 369 081	405 509 918	(83 947 745)	321 562 173
Asset found	101 018 879	(65 115 247)	35 903 632	128 065 486	(74 956 111)	53 109 375
Housing development fund	578 235 759	-	578 235 759	405 613 710	(26 673 515)	378 940 195
Total	**5 098 368 875**	**(2 220 535 969)**	**2 877 832 906**	**4 946 450 954**	**(2 061 715 479)**	**2 884 735 475**

* See Note 49

8. Property, plant and equipment (continued)

Controlling entity	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	496 759 053	-	496 759 053	496 759 053	-	496 759 053
Buildings	166 665 944	(43 866 479)	122 799 465	166 136 338	(38 322 507)	127 813 831
Infrastructure	3 343 251 620	(2 011 689 902)	1 331 561 718	3 337 871 628	(1 834 197 248)	1 503 674 380
Community	405 509 918	(95 140 837)	310 369 081	405 509 918	(83 947 745)	321 562 173
Other assets	88 777 430	(58 295 008)	30 482 422	114 019 382	(66 043 945)	47 975 437
Work in progress	578 235 759	-	578 235 759	405 613 710	(26 673 515)	378 940 195
Total	**5 079 199 724**	**(2 208 992 226)**	**2 870 207 498**	**4 925 910 029**	**(2 049 184 960)**	**2 876 725 069**

Reconciliation of property, plant and equipment - Controlling entity - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	496 759 053	-	-	-	-	496 759 053
Buildings	127 813 831	529 606	-	-	(5 543 972)	122 799 465
Infrastructure	1 503 674 380	37 148 644	-	(27 969 328)	(181 291 978)	1 331 561 718
Community	321 562 173	-	-	-	(11 193 092)	310 369 081
Other assets	47 975 437	8 115 477	(5 861 718)	(3 029 596)	(16 717 178)	30 482 422
Work in progress	378 940 195	266 886 495	-	(67 590 931)	-	578 235 759
	2 876 725 069	**312 680 222**	**(5 861 718)**	**(98 589 855)**	**(214 746 220)**	**2 870 207 498**

Reconciliation of property, plant and equipment - Controlling entity - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Land	496 759 053	-	-	-	496 759 053
Buildings	133 351 709	-	-	(5 537 878)	127 813 831
Infrastructure	1 645 967 678	44 481 561	(6 629 337)	(180 145 522)	1 503 674 380
Community	332 755 265	-	-	(11 193 092)	321 562 173
Other assets	64 282 008	1 036 882	-	(17 343 453)	47 975 437
Work in pogress	227 680 938	187 282 428	(36 023 171)	-	378 940 195
	2 900 796 651	**232 800 871**	**(42 652 508)**	**(214 219 945)**	**2 876 725 069**

Pledged as security

No property, plant and equipment was pledged as security for loans at year-end.

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

9. Intangible assets

Economic entity	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	964 039	(962 561)	1 478	964 040	(857 793)	106 247

Controlling entity	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	964 039	(962 561)	1 478	964 040	(857 793)	106 247

Reconciliation of intangible assets - Controlling entity - 2014

	Opening balance	**Amortisation**	**Total**
Computer software	106 247	(104 769)	1 478

Reconciliation of intangible assets - Controlling entity - 2013

	Opening balance	**Amortisation**	**Total**
Computer software	217 452	(111 205)	106 247

Pledged as security

None of the intangible assets have been pledged as security.

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

None of the assets are currently under a finance lease.

10. Heritage assets

Economic entity	2014			2013		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Other (specify class)	4	-	4	40	-	40

Controlling entity	2014	2013

* See Note 49

10. Heritage assets (continued)

	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral ornaments, paintings and art galleries	4	-	4	40	-	40

Reconciliation of heritage assets Controlling entity - 2014

	Opening balance	Other changes, movements	Total
Mayoral ornaments, paintings and art galleries	40	(36)	4

Reconciliation of heritage assets Controlling entity - 2013

	Opening balance	Total
Mayoral ornaments, paintings and art galleries	40	40

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

11. Investments in controlled entity

Name of company	Held by	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
Maluti-a-Phofung Water SOC Ltd	Maluti-a-Phofung Municipality	100,00 %	100,00 %	300	300

The carrying amounts of controlled entities are shown net of impairment losses.

The investment in controlled entity was not pledged as security.

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

12. Other financial assets

At fair value				
Listed shares - Sanlam	365 930	277 988	365 930	277 988
Sanlam life policy	370 308	352 262	370 308	352 262
	736 239	**630 251**	**736 239**	**630 251**
Non-current assets				
Fair value	736 239	630 251	736 239	630 251

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 1				
Listed shares	362 931	277 988	362 931	277 988
Level 2				
Life policy	373 732	352 263	373 732	352 263
	736 663	**630 251**	**736 663**	**630 251**

Renegotiated terms

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

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

Financial assets at amortised cost

Financial assets at amortised cost past due but not impaired

Financial assets which are less than 3 months past due are not considered to be impaired. At 30 June 2014, no accounts were past due.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of the financial assets mentioned above. The municipality does not hold any collateral as security.

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

13. Receivables from non-exchange transactions

Government grants and subsidies	1 614 835	-	-	-
Levies	-	1 059 335	-	-
Property rates	7 831 275	11 538 377	7 831 275	11 538 377
Sundry receivables	36 420 312	21 808 812	-	-
Sundry deposits	42 777	1 393 223	-	1 224 787
Insurance	(597 942)	8 039 554	-	8 039 554
	45 311 257	**43 839 301**	**7 831 275**	**20 802 718**

Rates - Controlling entity

Gross balance	221 800 262	211 300 891	221 800 262	211 300 891
Less: Allowance for impairment	(213 968 988)	(199 762 513)	(213 968 988)	(199 762 513)
	7 831 274	**11 538 378**	**7 831 274**	**11 538 378**

Ageing of rates

Current (0 - 30 days)	7 831 274	2 107 435	7 831 274	2 107 435
31 - 60 days	-	785 132	-	785 132
61 - 90 days	-	338 692	-	338 692
> 91 days	-	8 307 119	-	8 307 119
	7 831 274	**11 538 378**	**7 831 274**	**11 538 378**

Reconciliation of allowance for impairment

Balance at beginning of the year	(199 762 513)	(174 951 746)	(199 762 513)	(174 951 746)
Increase in the allowance for impairment	(14 206 475)	(24 810 767)	(14 206 475)	(24 810 767)
	(213 968 988)	**(199 762 513)**	**(213 968 988)**	**(199 762 513)**

14. Long term receivable

None of the long term receivables were pledged as security.

None of the long term receivables that are fully performing have been renegotiated in the last year

The maximum exposure to credit risk at the reporting date is the carrying value of long term receivable mentioned above. The municipaity does not hold any collateral as security.

Debtors arrangement details

Minimum monthly installments for debt less than R15 000	200	200	200	200
Minimum monthly installments for debt more than R15 000	250	250	250	250

Long term receivables

Non-current portion	2 693 821	5 922 083	2 693 821	5 922 083
Current portion	7 119 617	12 866 400	7 117 425	12 866 400
	9 813 438	**18 788 483**	**9 811 246**	**18 788 483**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

15. VAT (Payable) / Receivable

VAT Output accounts	(38 929 428)	(237 940)	(38 863 085)	(157 585)
VAT Input accounts	31 940 918	6 311 432	22 674 660	1 235 734
	(6 988 510)	**6 073 492**	**(16 188 425)**	**1 078 149**

VAT is payable on the payment basis. VAT is paid over to SARS only once payment is made and monies received.

16. Employee benefit obligations

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

Analysis of employee benefit obligations

Present value of the unfunded obligation	(12 290 000)	(11 181 000)	(12 290 000)	(11 181 000)

Movement in the present value of the employee benefit obligation

Opening balance	11 181 000	9 344 000	11 181 000	9 344 000
Benefits paid	(515 000)	(516 000)	(515 000)	(516 000)
Net expense recognised in the statement of financial performance	1 624 000	2 353 000	1 624 000	2 353 000
	12 290 000	**11 181 000**	**12 290 000**	**11 181 000**

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

Current service cost	159 000	123 000	159 000	123 000
Interest cost	791 000	758 000	791 000	758 000
Actuarial (gains) losses	674 000	1 472 000	674 000	1 472 000
	1 624 000	**2 353 000**	**1 624 000**	**2 353 000**

* See Note 49

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

16. Employee benefit obligations (continued)

Key assumptions used

The following main assumptions were used in performing the valuation at 30 June 2014:

Discount rates used	8,87 %	7,25 %	8,87 %	7,25 %
Consumer price inflation	6,47 %	6,25 %	6,47 %	6,25 %
Health care cost inflation	7,97 %	6,75 %	7,97 %	6,75 %
Net discount rate	0,83 %	0,47 %	0,83 %	0,47 %

It is the relative levels of discount rate and health care cost inflation to one another that are important, rather than the normal vaues. The assumption regarding the relative levels of these two rates is our expectation of the long-term averages.

As per GRAP 25 the rate used to discount post employment benefits shall reflect the time value of money. The discount rate that reflects the time value of money is best approximated by reference to market yields on government bonds. As such a discount rate of 8.87% per annum has been used.

Healthcare cost inflation rate fo 7.97% was assumed. This is 1.5% in excess of the expected inflation over the expected term of the laibility, at 6.47%.

Liability valuation method
The liability is taken as the present value of the employer's share of the continuation pensioner's contributions to the medical scheme. Continuation pensioner contributions are projected into each future year using the assumed rate of consumer price inflation and then discounted back using the discount rate.
For each active employee, this projection is based on the probability of survival to retirement age and beyond, taking into account the assumed rates of withdrawal, ill-health, early retirement and mortality. For each pensioner, the liability stops when the pensioner and any remaining spouses assumed to have diedIn accordance with the requirements of GRAP 25, the Projectd Unit Method of funding has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs, in respect of an employee, should be fully recognised by the time that the employee reaches fully accrued age.

Although this liability only vest at retirement (or to remaining beneficiaries in the event of early death in early retirement age) and is not necessarily affected by the length of service that an employee has had with the employer, accounting standards require that the liabiity for in-service employee accrue uniformly while in service.

The employer's liability is taken at the present value of the obligation to settle post-employment health care contributions excluding the portion of contribution funded by the pensioners.

It has been assumed that the medical contribution subsidies will increase in line with health care cost inflation. No allowances for volatility in the contributions due to fundamental changes in the underlying demographics of the scheme was made. The following assumptions were made with regards to the calculation for the economic entity and the controlling entity:

Asumptions	Female	Male
Normal retirement age	65	65
Fully accrued age	63	63
Employment age used for part service period	Actual service entry ages	Actual service entry ages
	Active employees	Pensioners
Age difference between spouses	3 years	3 years
Proportion marriage	Assumed proportion married	Actual maritial status used

* See Note 49

16. Employee benefit obligations (continued)

Decrement assumptions
The same pre-retirement mortality table of SA85-90 and post-retirement mortality table of PA(90) as the previous valuation period was used.

	Active emplpyees	Pensioners
Mortality	SA85-90 (Normal)	PA(90)-2

The following proportion married assumption in all the valuation periods were applied:

Age	Males	Females
20	5 %	5 %
25	25 %	25 %
30	55 %	55 %
35	78 %	78 %
40	84 %	84 %
45	85 %	85 %
50	86 %	86 %
55	88 %	88 %
>60	92 %	92 %

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

16. Employee benefit obligations (continued)

Other assumptions

The liability derived by this valuation is dependent on the assumptions set out above, which may or may not borne out in pratice. Variations from these assumptions will emerge in future years as experience gains or losses and will be recognised by the municipality in accordance with consistency applied amortisation process.

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below:

Health care cost inflation

The valuation basis assumes that the health care cost inflation rate (which manifest itself as the annual increase of the total contribution subsidised by the employer) will be 0.47% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the health care cost inflation rate is as follows:

	One percentage point increase	One percentage point decrease	One percentage point increase	One percentage point decrease
Effect on employer's accrued liability	14 076 000	13 638 000	14 076 000	13 638 000
Effect on employer's service cost	114 000	71 000	114 000	71 000
Effect on employer's interest cost	1 218 000	1 180 000	1 218 000	1 180 000

Mortality.

The table below shows the impact of a change in the mortality assumption from PA(90) with a two year adjustment to PA(90) with a year adjustment.

	Valuation basis PA (90) -2	PA (90) -3
Employer's accrued liability	12 290 000	12 735 000
Employer's service cost	90 000	93 000
Employer's interest cost	1 061 000	1 100 000

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Defined benefit obligation	12 290 000	11 181 000	9 344 000	8 480 000	7 547 000
Experience adjustments on plan	797 000	311 000	541 000	608 000	-

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

17. Finance lease obligation

Minimum lease payments due				
- within one year	431 860	718 081	431 860	718 081
- in second to fifth year inclusive	-	431 860	-	431 860
	431 860	1 149 941	431 860	1 149 941
less: future finance charges	(32 872)	(205 523)	(32 872)	(205 523)
Present value of minimum lease payments	**398 988**	**944 418**	**398 988**	**944 418**
Present value of minimum lease payments due				
- within one year	398 988	545 431	398 988	545 431
- in second to fifth year inclusive	-	398 987	-	398 987
	398 988	**944 418**	**398 988**	**944 418**
Non-current liabilities	-	398 987	-	398 987
Current liabilities	398 987	545 431	398 987	545 431
	398 987	**944 418**	**398 987**	**944 418**

A contract was entered into by the municipality on 7 May 2012 with Bytes Document Solutions (Pty) Ltd for 26 printers/fax/scancopier machines. The period of the contract is 36 months ending April 2014. The monthly rental amounts to R59 840, ecluding VAT with a 0% excalation per annum as calculated from the commencement date 7 May 2012.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Expanded Public Works Programme Incentive Grant	-	2 359 953	-	2 359 953
Rural Development Project Houses	5 316 229	3 765 329	5 316 229	3 765 329
Integrated National Electrification Programme Grant	579 914	579 914	579 914	579 914
Operation Hlasela Projects	450 000	450 000	450 000	450 000
Installation and Maintenance of Security Equipment	698 736	698 736	698 736	698 736
	7 044 879	**7 853 932**	**7 044 879**	**7 853 932**

Movement during the year

Balance at the beginning of the year	7 853 932	10 280 425	7 853 932	10 280 425
Additions during the year	289 480 053	294 524 641	289 480 053	294 524 641
Income recognition during the year	(290 289 106)	(296 951 134)	(290 289 106)	(296 951 134)
	7 044 879	**7 853 932**	**7 044 879**	**7 853 932**

These amounts are invested in a ring-fenced investment until utilised. Refer to the reconciliation per grant in note 25.

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

19. Other financial liabilities

At amortised cost				
Bank loan	16 635 191	19 501 874	16 635 191	19 501 874

All annuity loans are from the Development Bank of South Africa and repayments are made on a six monthly basis. The interest rates varies from 10.82 % to 15.63%.

No terms were renegotiated before the financial statements were authorised for issue.

The fair values of the financial liabilities approximates their carrying amounts.

Non-current liabilities				
At amortised cost	13 762 196	17 016 609	13 762 196	17 016 609
Current liabilities				
At amortised cost	2 872 995	2 485 265	2 872 995	2 485 265

* See Note 49

Notes to the Annual Financial Statements

Figures in Rand

20. Provisions

Reconciliation of provisions - Economic entity - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	25 713 775	1 595 343	27 309 118

Reconciliation of provisions - Economic entity - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	24 128 142	1 585 633	25 713 775

Reconciliation of provisions - Controlling entity - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	25 713 775	1 595 343	27 309 118

Reconciliation of provisions - Controlling entity - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	24 128 142	1 585 633	25 713 775

The rehabiliation cost provision is for the rehabilitation programme of the landfill sites of the municipality. It is required from the municipality to execute an envionmental management program to restore the landfill site after its useful life. The sites under consideration are Harrismith and Phuthaditjhaba. Both landfill sites accept only general waste. These sites are both operational, only Harrismith has a permit in terms of Section 20 of the Enviornmental Conservation Act (Act 73 of 1989).

20. Provisions (continued)

In order to determine the rehabilitation costs of each site the minimum requirements issued by the Department of Water Affairs and Forestry (DWAF) was used as guideline for the design of the capping layer as well as the capacity of the storm water drainage system. If a site is permitted/licensed, the relevant rehabilitation requirements are obtained from the above documentation according to the site's classification or as required in each permit. If a site is unpermitted/unlicensed, the classification is assumed according to the volume of waste received per day at the site, the type of waste received and the climatic region in which the site is located, i.e. the factors that determine the classification of the licensed site.

The actual costs are determined by calculating the volumes of excavations, materials required and legal requirements according to the footprint of each individual site. For a new estimate the rates used for each item of work is based on current rates for similar activities. If a previous estimate was done for a specific site then the previous year's figures are escalated using CPI. The individual rates are then again cross-checked to determine if they are still in line with current rates for similar activities and adjusted accordingly.

Provision has been made for this cost based on the estimated present value of future cash flows arising from the rehabilitation cost expected as at 30 June 2017 for the Phuthaditjaba landfill site and 30 June 2024 for the Harrismith landfill site.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

21. Long service liability

Liability valuation method

Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in future based on service accrued to the valuation date and awards projected to retirement date.

In order to determine these liabilties, due allowance has been made for future award increases.

For each employee, this projection is based on the probability of being employed at each service award date, taking into account the assumed rate of withdrawal, early retirement and death.

In accordance with the requirement of GRAP 25, the Projected Unit Credit method of funding has been applied:

	30 June 2014	30 June 2013	30 June 2012	30 June 2011
Defined benefit obligation	18 322 000	16 797 000	11 750 000	11 033 000

Key assumptions

The long service awards are a function of accumulated leave days. The long service bonus awards is a function of annual leave days is convertible into cash in the year the employee attains the service eligible for an award. As a result the award is also fucntion of the employee's annual salary. The annual salary is converted into a daily salary by dividing the annual salary by 250

As per GRAP 25 the rate used to discount long service awards shall reflect the time value of money. The discount rate that reflects the time value of money is best approximated by reference to market yields on government bonds.

At the previous valuation date, 30 June 2013 the duration of liabilities was 7.43 years. At this duration the disount rate determined by using Bond Exchange Zero Coupon Yield Curve as at 30 June 2014 is 8.33% per annum. The assumed discount rate used at the previous valuation was 7.25% per annum. The duration of the liabilities was estimated to be 7.43 years at the previous valuation date of 30 June 2013. At 30 June 2014 the yield on inflation-linked bonds of a similar term was about 1.55% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values.

The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

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

Changes in the present value of the long service liability are as follows:				
Opening balance	16 797 000	11 750 000	16 797 000	11 750 000
Benefits paid	(1 967 000)	(998 000)	(1 967 000)	(998 000)
Net expense recognised in the statement of financial position	3 492 000	6 045 000	3 492 000	6 045 000
	18 322 000	**16 797 000**	**18 322 000**	**16 797 000**
Net expenses recognised in the statement of financial performance				
Service cost	2 531 000	1 835 000	2 531 000	1 835 000
Interest cost	1 146 000	928 000	1 146 000	928 000
Actuarial (gains)/losses	(185 000)	3 282 000	(185 000)	3 282 000
	3 492 000	**6 045 000**	**3 492 000**	**6 045 000**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

21. Long service liability (continued)

Carrying value				
Present value of the long service bonus liability	18 322 000	16 797 000	18 322 000	16 797 000

The following key assumptions were used in the valuation:				
Discount rate	8,33 %	7,25 %	8,33 %	7,25 %
CPI	6,18 %	6,25 %	6,18 %	6,25 %
Salary increase rate	7,18 %	7,15 %	7,18 %	7,15 %
Net discount rate	1,07 %	0.09 %	1,07 %	0,09 %
Mortality	SA85-90	SA85-90	SA85-90	SA85-90
Normal retirement age	63,00	63,00	63,00	63,00

Assumptions for the economic entity and the controlling entity are as follows:

The following withdrawal assumptions were applicable over the 30 June 2014 financial year-end

Example at stated age	Withdrawal rates
20	12,0 %
25	6,6 %
30	5,1 %
35	3,6 %
40	2,6 %
45	1,8 %
50	1,1 %
55+	- %

The following ill-health early retirement assumptions were applicable over the 30 June 2014 financial year-end:

Example at stated age	Ill-health early retirement rates
31	0,02 %
35	0,10 %
40	0,20 %
45	0,30 %
50	0,50 %
55	1,00 %
60	1,80 %
62	2,32 %

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

22. Payables from exchange transactions

Trade payables	175 225 653	141 717 888	82 601 754	51 886 315
Accrued leave pay	37 196 889	34 847 617	27 325 809	25 500 559
Accrued bonus	5 481 895	5 064 120	5 481 895	5 064 120
Accrued overtime and other allowances	1 093 570	2 920 822	-	-
Purchase accrual	16 865 481	238 067	-	-
Deposits received	72 713	127 408	72 713	127 408
Payroll control account	2 323 562	771 100	-	-
Sundry payables	328 704 719	140 634 297	328 704 719	140 634 297
Payments received in advance	122 865 120	96 107 272	122 865 120	96 107 272
	689 829 602	**422 428 591**	**567 052 010**	**319 319 971**

Amount payables were not all paid within 30 days, due to various reasons.

23. Taxes and transfers payable (non-exchange)

Other payables from non-exchange transactions	-	36 447	-	36 447

24. Consumer deposits

Electricity and water	11 732 591	24 528 932	11 732 591	24 528 932

No interest accrues on the balance of the consumer deposits held by the municipality.

25. Government grants and subsidies

Operating grants				
Equitable share	350 227 000	330 390 274	355 227 000	338 051 274
Municipal Systems Improvement Grant	890 000	800 623	890 000	800 623
RDP Houses Grant	2 449 100	-	2 449 100	-
Water Services Operating Subsidy Grant	10 000 000	15 322 000	5 000 000	7 661 000
Local Government Financial Management Grant	1 550 000	1 500 000	1 550 000	1 500 000
	365 116 100	348 012 897	365 116 100	348 012 897
Capital grants				
Expanded Public Works Programme Incentive Grant	12 569 959	11 906 217	12 569 959	11 906 217
Electricity Demand Management Grant	-	3 000 000	-	3 000 000
Sterkfontein/Regional Bulk Infrastructure Grant	50 507 052	52 810 521	50 507 052	52 810 521
Integrated National Electrification Programme Grant	20 000 000	9 421 989	20 000 000	9 421 989
Municipal Infrastructure Grant	197 323 000	209 850 785	197 323 000	209 850 785
	280 400 011	286 989 512	280 400 011	286 989 512
	645 516 111	**635 002 409**	**645 516 111**	**635 002 409**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	290 289 112	296 951 136	290 289 112	296 951 136
Unconditional grants received	355 227 000	338 051 273	355 227 000	338 051 273
	645 516 112	**635 002 409**	**645 516 112**	**635 002 409**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

25. Government grants and subsidies (continued)

Not all the conditions were met on the conditional grants and thus equitable shares was withheld by National Treasury. According to section 123(1)(f) of the MFMA any amount of money that is withheld from National Treasury, due to condtions not met, should be disclosed. Equitable shares to the value of R6 543 000 was withheld.

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. No conditions are attached to the grant.

All registered indigents receive a monthly subsidy of 6kl of free water and 50kW of free electricity, which is credited to their accounts.

Expanded Public Works Programme Incentive Grant for Municipalities

Balance unspent at beginning of year	2 359 953	1 160 170	2 359 953	1 160 170
Current-year receipts	10 210 000	13 106 000	10 210 000	13 106 000
Conditions met - transferred to revenue	(12 569 953)	(11 906 217)	(12 569 953)	(11 906 217)
	-	**2 359 953**	**-**	**2 359 953**

Conditions were met during the year.

The purpose of the grant is to improve quality of life of poor people and increase social stability through engaging the previously unemployed in paid and productive activities; to reduce levels of poverty; contribute towards increased levels of employment and improve opportunities for sustainable work through experience and learning gained.

Local Government Financial Management Grant

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

Conditions were met during the year.

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA.

RDP Houses Grant and Rural Household Infrastructure grant

Balance unspent at beginning of year	3 765 329	3 765 329	3 765 329	3 765 329
Current-year receipts	4 000 000	-	4 000 000	-
Conditions met - transferred to revenue	(2 449 100)	-	(2 449 100)	-
	5 316 229	**3 765 329**	**5 316 229**	**3 765 329**

Conditions still to be met - remain liabilities (see note 18). Project still in progress, expected to be completed in the next financial year.

The purpose of the grant is for the construction of low cost housing in the municipal areas.

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

25. Government grants and subsidies (continued)

Electricity Demand Management Grant

Current-year receipts	-	3 000 000	-	3 000 000
Conditions met - transferred to revenue	-	(3 000 000)	-	(3 000 000)
	-	-	-	-

The purpose of the grant is to provide subsidies to the muncipality to implement Electricity Side Demand Management in municipality infrastructure in order to reduce electricity consumption and improve energy efficiency.

Sterkfontein/Regional Bulk Infrastructure Grant

Balance unspent at beginning of year	-	2 194 879	-	2 194 879
Current-year receipts	50 507 052	50 615 642	50 507 052	50 615 642
Conditions met - transferred to revenue	(50 507 052)	(52 810 521)	(50 507 052)	(52 810 521)
	-	-	-	-

Conditions met during the year.

The purpose of the grant is to develop infrastructure required to connect or augment a water resource, to infrastructure serving extensive areas across municipal boundaries or large regional bulk infastructure serving numerous communities over a large area within the municipality.

Water Services Operating Subsidy Grant

Current-year receipts	5 000 000	7 661 000	5 000 000	7 661 000
Conditions met - transferred to revenue	(5 000 000)	(7 661 000)	(5 000 000)	(7 661 000)
	-	-	-	-

Conditions were met during the year.

The purpose of the grant is to subsidise and build capacity in water schemes owned and/or operated by the Department of Water Affairs (DWA) or by other agencies on behalf of the department and transfer these schemes to local government.

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	2 008 785	-	2 008 785
Current-year receipts	197 323 000	207 842 000	197 323 000	207 842 000
Conditions met - transferred to revenue	(197 323 000)	(209 850 785)	(197 323 000)	(209 850 785)
	-	-	-	-

Conditions met during the year.

The purpose of this grant is to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

25. Government grants and subsidies (continued)

Municipal System Infastructure Grant

Balance unspent at beginning of year	-	623	-	623
Current-year receipts	890 000	800 000	890 000	800 000
Conditions met - transferred to revenue	(890 000)	(800 623)	(890 000)	(800 623)
	-	**-**	**-**	**-**

Conditions met during the year.

The purpose of the grant is for the municipality to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrustructure and rehabilitation and refurbishment of electricity infrastructure to order to improve quality supply.

Integrated National Electrification Programme (Eskom) Grant

Balance unspent at beginning of year	579 914	1 903	579 914	1 903
Current-year receipts	20 000 000	10 000 000	20 000 000	10 000 000
Conditions met - transferred to revenue	(20 000 000)	(9 421 989)	(20 000 000)	(9 421 989)
	579 914	**579 914**	**579 914**	**579 914**

Conditions still to be met - remain liabilities (see note 18). Projects are still in progress, expected to be completed in the next financial year.

The purpose of the grant is for the municipality to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure to order to improve quality of supply.

Operation Hlasela Projects

Balance unspent at beginning of year	450 000	450 000	450 000	450 000

Conditions still to be met - remain liabilities (see note 18). Project is expected to start in the next financial year whereby assistance to small business forums will be provided.

The purpose of the grant is to capacitate local businesses through training and transformation.

Installation and Maintenance of Security Equipment

Balance unspent at beginning of year	698 736	698 736	698 736	698 736

Conditions still to be met - remain liabilities (see note 18). Projects are still in progress, expected to be completed in the next financial year.

The purpose of the grant is for the installation and maintenance of security around the Lesotho and Maluti-a-Phofung border.

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

26. Revenue

Service charges	368 152 966	330 430 628	368 152 966	330 428 022
Rental of facilities and equipment	967 908	1 000 633	967 908	1 000 633
Interest received - consumers	23 362 272	21 775 993	23 362 272	21 775 993
Other income	5 821 307	12 855 830	4 961 890	11 859 028
Interest received - investment	2 805 297	1 902 787	2 805 297	1 902 787
Fines	842 712	938 254	842 712	938 254
Property rates	160 019 099	140 721 400	167 544 300	147 150 223
Government grants and subsidies	645 516 111	635 002 409	645 516 111	635 002 409
	1 207 487 672	**1 144 627 934**	**1 214 153 456**	**1 150 057 349**

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

Service charges	368 152 966	330 430 628	368 152 966	330 428 022
Rental of facilities and equipment	967 908	1 000 633	967 908	1 000 633
Interest received - consumers	23 362 272	21 775 993	23 362 272	21 775 993
Other income	5 821 307	12 855 830	4 961 890	11 859 028
Interest received - investment	2 805 297	1 902 787	2 805 297	1 902 787
	401 109 750	**367 965 871**	**400 250 333**	**366 966 463**

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

Taxation revenue				
Fines	842 712	938 254	842 712	938 254
Property rates	160 019 099	140 721 400	167 544 300	147 150 223
Transfer revenue				
Government grants and subsidies	645 516 111	635 002 409	645 516 111	635 002 409
	806 377 922	**776 662 063**	**813 903 123**	**783 090 886**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

27. Other income

Accompanying vehicles	20 579	22 469	20 579	22 469
Advertising	50 430	87 469	50 430	87 469
Blockages	5 649	18 451	5 649	18 451
Clearance certificates	30 640	29 162	30 640	29 162
Commission received	229 082	198 445	229 082	198 445
Connection and reconnection fees	372 331	526 575	372 331	526 575
Conservancy services	12 434	24 234	12 434	24 234
Medical aid income	441 204	393 551	441 204	393 551
Income from festivals	130 155	2 023 500	130 155	2 023 500
Income from valuations	45 774	44 919	45 774	44 919
Insurance claims received	493 921	107 232	493 921	107 232
Other income	1 314 700	4 029 683	455 283	3 860 334
Photocopies	13 316	7 090	13 316	7 090
Private work	7 127	307	7 127	307
Sale of erven	404 241	3 864 043	404 241	3 036 590
Sale of tender documents	227 712	350 375	227 712	350 375
Searching fees	21 754	20 949	21 754	20 949
Storage fees	1 413 491	37 520	1 413 491	37 520
Sundry credits	425 920	333 661	425 920	333 661
Telephone income	1 834	43 799	1 834	43 799
Training income	159 013	692 396	159 013	692 396
	5 821 307	**12 855 830**	**4 961 890**	**11 859 028**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

28. Property rates

Rates

Residential	1 168 407	6 479 524	8 693 608	12 908 347
Commercial	26 445 421	22 948 360	26 445 421	22 948 360
National and Provincial Government	132 405 271	111 293 516	132 405 271	111 293 516
	160 019 099	**140 721 400**	**167 544 300**	**147 150 223**

Valuations

Residential	2 681 163 556	2 695 679 895	2 681 163 556	2 695 679 895
Commercial	1 369 826 546	1 555 607 238	1 369 826 546	1 555 607 238
National and Provincial Government	1 295 375 504	1 312 312 743	1 295 375 504	1 312 312 743
Municipal	303 727 474	307 509 660	303 727 474	307 509 660
	5 650 093 080	**5 871 109 536**	**5 650 093 080**	**5 871 109 536**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2010. Interim valuations are processed on an bi-annual basis to take into account changes in individual property values due to alterations and subdivisions.

The decrease in the valuation is due to duplications that were detected from prior valuation rolls and now being corrected.

General rates applied in valuations				
Residential properties	0,0076	0,0076	0,0076	0,0076
Commercial	0,0380	0,0380	0,0380	0,0380
State owned, agricultural and public benefit organisations	0,0851	0,0951	0,0851	0,0951

Rebates granted				
Agricultural land and undeveloped properties (excluding rural state owned properties)	99 %	90 %	99 %	90 %
Residential development properties	98 %	98 %	98 %	98 %
Developed properties	95 %	95 %	95 %	95 %
State owned prroperties	11 %	- %	11 %	- %
Pensioners, indigents and public benefit organisations	100 %	100 %	100 %	100 %

29. Rental income

Rental on:				
Premises	646 678	902 879	646 678	902 879
Facilities	321 230	97 754	321 230	97 754
	967 908	**1 000 633**	**967 908**	**1 000 633**

30. Service charges

Sale of electricity	253 150 169	230 005 891	253 150 169	230 005 891
Sale of water	51 774 829	39 237 077	61 986 702	50 190 761
Sewerage and sanitation charges	41 540 447	39 841 405	31 328 574	28 885 115
Refuse removal	21 687 521	21 346 255	21 687 521	21 346 255
	368 152 966	**330 430 628**	**368 152 966**	**330 428 022**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

31. Employee related costs

Acting allowances	1 134 038	576 499	792 592	164 361
Bargaining council contribution	86 597	78 691	86 597	78 691
Basic	190 892 545	164 067 390	145 350 768	126 957 591
Bonus	12 035 635	11 683 357	7 332 807	9 146 852
Car allowance	4 877 845	3 600 841	4 877 845	3 600 841
Director's renumeration	2 718 445	2 925 734	2 718 445	2 925 734
Defined contribution plans	16 749 840	19 945 914	16 749 840	19 945 914
Group insurance	585 849	339 962	585 849	339 962
Holiday Bonus	1 779 820	1 394 472	-	-
Housing benefits and allowances	1 587 906	594 667	652 460	594 667
Leave pay provision charge	6 638 409	4 889 402	6 638 409	4 889 402
Long-term benefits - incentive scheme	(107 718)	(128 339)	(107 718)	(128 339)
Medical aid - company contributions	12 435 771	9 785 487	8 683 282	6 803 150
Other payroll levies	2 252 750	325 457	-	-
Overtime payments	24 034 532	18 164 923	20 220 958	12 222 816
SDL	2 707 659	2 089 226	2 072 596	1 570 430
Standby allowance	803 246	1 038 715	803 246	1 038 715
Telephone / cellphone allowance	480 182	391 084	480 182	391 084
Tool allowance	240	720	240	720
Travel, motor car, accommodation, subsistence and other allowances	5 733 278	4 728 176	2 134 570	2 088 796
UIF	1 895 362	1 632 500	1 403 464	1 222 969
WCA	10 839 757	6 399 825	3 147 087	62 007
	300 161 988	**254 524 703**	**224 623 519**	**193 916 363**

Remuneration of the Municipal Manager

Annual remuneration	910 643	763 543	910 643	763 543
Cellphone allowance	17 500	33 000	17 500	33 000
Travel allowance	129 437	178 311	129 437	178 311
Contributions to UIF, medical and pension funds	47 297	152 303	47 297	152 303
Leave payout	42 638	41 802	42 638	41 802
	1 147 515	**1 168 959**	**1 147 515**	**1 168 959**

There were two Municipal Managers for the period Juy 2013 - June 2014:

Mr LMD Ntombela for the period July 2013 to September 2013t

Mr TC Taetsane started acting from September 2013 to December 2013 and was appointed as Municipal Manager for the period January 2014 to June 2014.

2014	LMD Ntombela	TC Taetsane	Total
Annual remuneration	299 563	611 080	910 643
Cellphone allowance	9 000	8 500	17 500
Travel allowance	49 437	80 000	129 437
Contributions to UIF, medical and pension funds	40 720	6 577	47 297
Leave payout	42 638	-	42 638
	441 358	**706 157**	**1 147 515**

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

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

31. Employee related costs (continued)

Remuneration of Chief Finance Officer

Annual remuneration	350 668	202 365	350 668	202 365
Cellphone allowance	4 500	7 500	4 500	7 500
Travel allowance	-	70 900	-	70 900
Contributions to UIF, medical and pension funds	-	57 028	-	57 028
Leave payout	-	83 536	-	83 536
	355 168	**421 329**	**355 168**	**421 329**

No CFO was appointed during the year and various senior employees acted as CFO. Mr MA Mofokeng was appointed as CFO from April 2014 to June 2014.

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

Remuneration of the Director of Municipal Infrastructure

Annual remuneration	813 804	753 828	813 804	753 828
Cellphone allowance	18 000	18 000	18 000	18 000
Travel allowance	199 804	199 342	199 804	199 342
Contributions to UIF, medical and pension funds	54 820	52 368	54 820	52 368
	1 086 428	**1 023 538**	**1 086 428**	**1 023 538**

Mr HW Ungerer was a Director of Municipal Infrastructure for the period Juy 2013 to June 2014.

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

Remuneration of Director of Local Economic Development and Tourism

Annual remuneration	608 150	660 526	608 150	660 526
Cellphone allowance	18 000	18 000	18 000	18 000
Travel allowance	216 604	168 302	216 604	168 302
Municipal contibution to UIF, medical and pension funds	130 397	73 465	130 397	73 465
Leave payout	-	140 745	-	140 745
	973 151	**1 061 038**	**973 151**	**1 061 038**

Mr FP Mothamaha was a Director of Local Economic Development and Tourism for the period July 2013 to June 2014.

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

Remuneration of the Director of Public Safety

Annual remuneration	693 685	646 682	693 685	646 682
Cellphone allowance	18 000	18 000	18 000	18 000
Travel allowance	199 805	199 805	199 805	199 805
Contributions to UIF, medical and pension funds	158 507	155 155	158 507	155 155
	1 069 997	**1 019 642**	**1 069 997**	**1 019 642**

Mr MW Matjele was the Director of Public Safety for the period July 2013 to June 2014.

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

* See Note 49

Notes to the Annual Financial Statements

31. Employee related costs (continued)

Remuneration of the Director of Corporate Services

	Economic entity 2014	Economic entity 2013 Restated*	Controlling entity 2014	Controlling entity 2013 Restated*
Annual remuneration	832 486	510 125	832 486	510 125
Cellphone allowance	18 000	11 650	18 000	11 650
Travel allowance	145 730	116 500	145 730	116 500
Contributions to UIF, medical and pension funds	1 785	8 464	1 785	8 464
Leave payout	-	68 480	-	68 480
	998 001	**715 219**	**998 001**	**715 219**

Mr SB Mhlambi was a Director of Corporate Services for the period July 2013 to June 2014.

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

Remuneration of the Director of Parks, Sport, Recreation, Arts & Culture

	Economic entity 2014	Economic entity 2013 Restated*	Controlling entity 2014	Controlling entity 2013 Restated*
Annual Remuneration	492 144	246 072	492 144	246 072
Cellphone allowance	12 000	6 000	12 000	6 000
Travel allowance	160 000	80 000	160 000	80 000
Contributions to UIF, Medical and Pension Funds	8 365	3 756	8 365	3 756
	672 509	**335 828**	**672 509**	**335 828**

Mr TC Taetsane was the Director of Parks, Sport, Recreation, Arts & Culture for the period July 2013 to December 2013. The position was vacant from January 2014 to June 2014.

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

Director of Community Services

	Economic entity 2014	Economic entity 2013 Restated*	Controlling entity 2014	Controlling entity 2013 Restated*
Annual remuneration	751 502	701 386	751 502	701 386
Cellphone allowance	18 000	18 000	18 000	18 000
Travel allowance	173 313	173 313	173 313	173 313
Contributions to UIF, medical and pension funds	135 864	126 955	135 864	126 955
	1 078 679	**1 019 654**	**1 078 679**	**1 019 654**

Ms PP Selepe was the Director of Community Services for the period July 2013 to June 2014.

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

Director of Housing, Spatial Development and Planning

	Economic entity 2014	Economic entity 2013 Restated*	Controlling entity 2014	Controlling entity 2013 Restated*
Annual remuneration	675 323	575 209	675 323	575 209
Cellphone allowance	18 000	16 500	18 000	16 500
Travel allowance	155 458	132 700	155 458	132 700
Contributions to UIF, medical and pension funds	151 673	121 100	151 673	121 100
Leave payout	-	35 090	-	35 090
	1 000 454	**880 599**	**1 000 454**	**880 599**

Ms PM Hleli was the Director of Housing, Spatial Development and Planning for the period July 2013 to June 2014.

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

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

32. Remuneration of councillors

Executive mayor	261 617	757 977	221 617	727 977
Speaker	702 265	8 273 715	702 265	8 273 715
Mayoral committee members	6 270 472	6 143 806	6 270 472	6 143 806
Councillors	12 939 537	4 244 456	12 939 537	4 244 456
	20 173 891	**19 419 954**	**20 133 891**	**19 389 954**

In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

The remuneration of the political office-bearers ande councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.

Executive Mayor	Basic	Travel Allowance	Cellphone Allowance	Data Allowance	Municipality Contribution	Total
Moleleki MS	146 293	-	8 693	786	5 629	161 401
Tshabalala VW	660 726	-	35 662	3 600	-	699 988
Total	807 019	-	44 355	4 386	5 629	861 389
	807 019	**-**	**44 355**	**4 386**	**5 629**	**861 389**

Speaker	Basic	Travel Allowance	Cellphone Allowance	Data Allowance	Municipality Contribution	Total
Nthedi AM	352 174	140 760	20 868	3 600	70 106	587 508
Total	352 174	140 760	20 868	3 600	70 106	587 508

Chief Whip	Basic	Travel Allowance	Cellphone Allowance	Data Allowance	Municipal Contribution	Total
Thebe TR	344 250	131 963	20 868	3 600	51 638	552 319
Total	344 250	131 963	20 868	3 600	51 638	552 319
	344 250	**131 963**	**20 868**	**3 600**	**51 638**	**552 319**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

32. Remuneration of councillors (continued)

Mayoral Committee	Basic	Travel Allowance	Cellphone Allowance	Data Allowance	Municipal Contribution	Total
Lebesa MJ	329 224	131 963	20 868	3 600	66 664	552 319
Mboso LA	459 001	-	20 868	3 600	68 850	552 319
Mohlabi ML	344 251	131 963	20 868	3 600	51 637	552 319
Mokoena JM	329 224	131 963	20 868	3 600	66 664	552 319
Mokotso GT	344 251	131 963	20 868	3 600	51 637	552 319
Mokubung ML	344 251	131 963	20 868	3 600	51 637	552 319
Mosia MM	329 224	131 963	20 868	3 600	66 664	552 319
Mositi MC	329 224	131 963	20 868	3 600	66 664	552 319
Nhlapo MA	343 905	131 963	20 868	3 600	51 637	551 973
Tsotetsi SE	329 224	131 963	20 868	3 600	66 664	552 319
	3 481 779	**1 187 667**	**208 680**	**36 000**	**608 718**	**5 522 844**

* See Note 49

32. Remuneration of councillors (continued)

Councillors	Basic	Travel Allowance	Cellphone Allowance	Data Allowance	Municipal Contribution	Total
Crockett SM	122 799	52 785	20 868	3 600	35 681	235 733
Tshabalala MS	183 600	-	20 868	3 600	27 540	235 608
Hlatshwayo TF	137 700	52 785	20 868	3 600	20 655	235 608
Khambule MA	172 848	-	20 868	3 600	38 400	235 716
Khoapha NA	183 600	-	20 868	3 600	27 540	235 608
Khoarai MI	137 700	52 785	20 868	3 600	20 655	235 608
Kleynhans LM	137 700	52 785	20 868	3 600	20 655	235 608
Komako AM	137 700	52 785	20 868	3 600	20 655	235 608
Lebesa MB	137 700	52 785	20 868	3 600	20 655	235 608
Lebesana PJ	122 674	52 785	20 868	3 600	35 681	235 608
Letaoane TT	183 600	-	20 868	3 600	27 540	235 608
Letooane SG	211 140	-	20 868	3 600	-	235 608
Mahamuza LP	137 700	52 785	20 868	3 600	20 655	235 608
Mahlambi TJ	137 700	52 785	20 868	3 600	20 655	235 608
Mahlatsi A	156 060	31 671	20 868	3 600	23 409	235 608
Majake MI	137 700	52 785	20 868	3 600	20 655	235 608
Malinga DN	35 190	-	3 478	600	-	39 268
Masheane DA	178 500	-	9 180	3 000	6 840	197 520
Matjele MP	137 700	52 785	20 868	3 600	20 655	235 608
Mavuso TM	137 700	52 785	20 868	3 600	20 655	235 608
Mazibuko MR	183 600	-	20 868	3 600	27 540	235 608
Mbongo JM	65 572	25 136	6 198	1 800	9 835	108 541
Mkhwanazi TI	211 140	-	20 868	3 600	-	235 608
Mofana MM	137 700	52 785	20 868	3 600	20 655	235 608
Mofokeng BD	156 060	31 671	20 868	3 600	23 409	235 608
Mofokeng K	183 600	-	20 868	3 600	27 540	235 608
Mohlekwa TR	122 674	52 785	20 868	3 600	35 681	235 608
Mohoaladi ME	141 034	31 671	20 868	3 600	38 435	235 608
Mojakisane NS	137 700	52 785	20 868	3 600	20 655	235 608
Mokoena DJ	137 700	52 785	20 868	3 600	20 655	235 608
Mokoena LE	137 700	52 785	20 868	3 600	20 655	235 608
Molaba TE	137 700	52 785	20 868	3 600	20 655	235 608
Moloi L	137 700	52 785	20 868	3 600	20 655	235 608
Mopeli MS	183 600	-	20 868	3 600	27 540	235 608
Mopeli N	137 700	52 785	20 868	3 600	20 655	235 608
Moseme LA	137 700	52 785	20 868	3 600	20 655	235 608
Mosikidi MF	183 600	-	20 868	3 600	27 540	235 608
Mosikidi TJ	183 600	-	20 868	3 600	27 540	235 608
Mosikili ST	122 674	52 785	20 868	3 600	35 681	235 608
Motaung ME	183 600	-	20 868	3 600	27 540	235 608
Motaung PM	169 267	-	20 868	3 600	42 087	235 822
Motaung SJ	137 700	52 785	20 868	3 600	20 655	235 608
Motloung MM	122 674	52 785	20 868	3 600	35 681	235 608
Mpakathe MP	211 140	-	20 868	3 600	-	235 608
Ntamane VM	137 700	52 785	20 868	3 600	20 655	235 608
Radebe FS	6 754	2 251	356	-	-	9 361
Ramakarane TA	87 429	-	6 198	1 800	13 114	108 541
Ramochela A	183 600	-	20 868	3 600	27 540	235 608
Rantsane J	183 600	-	20 868	3 600	27 540	235 608
Salamu MS	213 801	-	16 762	3 843	15 846	250 252
Sehlako KM	137 700	52 785	20 868	3 600	20 655	235 608
Semela DG	35 190	-	3 478	600	-	39 268
Seobi MJ	137 700	52 785	20 868	3 600	20 655	235 608

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

32. Remuneration of councillors (continued)

Sephula PE	183 600	-	20 868	3 600	27 540	235 608
Taaso BM	183 600	-	20 868	3 600	27 540	235 608
Thakhuli ND	183 600	-	20 868	3 600	27 540	235 608
Tolofi ME	127 007	52 785	20 868	3 600	31 515	235 775
	8 391 427	**1 600 380**	**1 089 050**	**191 643**	**1 261 265**	**12 533 765**

33. Community project expenditure

Capital expenditure acquired during the year	73 578 904	252 419 166	73 578 904	252 419 166
Less: Assets capitalised	(1 265 251)	(242 372 310)	(1 265 251)	(242 372 310)
	72 313 653	**10 046 856**	**72 313 653**	**10 046 856**

34. Debt impairment

Debt impairment	9 567 537	17 529 084	-	-
Contributions to allowance for impairment	183 347 626	30 598 519	183 003 776	47 277 490
Debts impaired	809 125	8 931 786	809 125	8 931 786
	193 724 288	**57 059 389**	**183 812 901**	**56 209 276**

35. Depreciation and amortisation

Property, plant and equipment	218 545 901	217 002 790	215 724 631	214 697 263

36. Finance costs

Non-current borrowings	5 759 937	7 476 130	5 759 937	7 476 130
Bank	9 419	106 374	9 419	106 374
Fair value adjustments on payables	185 715	366 095	-	-
Other interest paid	21 622	18 206	-	-
	5 976 693	**7 966 805**	**5 769 356**	**7 582 504**

37. Repairs and maintenance

Repairs and maintenance - deductible	86 348 124	92 710 311	72 185 093	79 761 701

38. Bulk purchases

Electricity	252 976 724	320 465 455	251 593 262	319 332 231
Water	16 864 253	2 627 661	30 469 061	33 925 169
	269 840 977	**323 093 116**	**282 062 323**	**353 257 400**

Electricity losses

Losses in units were calculated as 611 009 629 (2013: 170 141 75)

Losses as % were calculated as 49.65% (2013: 34%)

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

39. Contracted services

Fleet Services	9 070 029	46 455 994	8 182 787	45 738 323
Information Technology Services	4 443 613	6 197 309	1 605 324	1 668 654
Operating Leases	424 862	1 249 238	424 862	1 249 238
Other Contractors	44 691 399	27 864 616	43 135 597	26 880 464
Specialist Services	27 264 628	49 609 373	26 039 015	46 621 816
	85 894 531	**131 376 530**	**79 387 585**	**122 158 495**

40. Grants and subsidies paid

Other subsidies				
DWAF subsidy to Maluti-a-Phofung Water (Pty) Ltd	6 276 833	7 661 000	6 276 833	7 661 000
Equitable shares to Maluti-a-Phofung Water (Pty) Ltd	(6 276 833)	(7 661 000)	73 723 167	70 062 000
	-	**-**	**80 000 000**	**77 723 000**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

41. General expenses

Actuarial loss	-	4 754 000	-	4 754 000
Advertising	941 448	881 089	647 852	550 154
Assets expensed	163 727	-	-	-
Auditors remuneration	6 968 487	6 478 124	4 693 563	4 083 977
Bank charges	1 498 827	1 853 742	1 427 191	1 803 390
Bursaries	297 549	131 941	297 549	131 941
Capacity building	981 736	136 452	705 498	136 452
Cleaning	681 742	546 617	601 512	462 455
Community development and training	159 026	196	-	-
Consulting and professional fees	3 071 931	977 504	2 426 544	947 852
Consumables	1 152 809	1 270 458	1 152 809	1 270 458
Departmental charges	4 231 063	7 134 936	4 231 063	7 134 936
Entertainment	1 067 586	889 575	991 227	732 296
Operating lease expenditure	1 004	1 322 119	-	-
Flowers	5 508	34 801	-	-
Fuel and oil	6 022 096	6 373 700	6 022 096	5 903 117
General workers seasonal	23 870	444 873	23 870	-
Hire	1 491 382	1 095 932	-	-
Horticulture	-	1 274 670	-	-
IT expenses	1 306 228	303 389	1 306 228	303 389
Indigent subsidy	8 600 482	10 390 469	8 600 482	10 390 469
Insurance	42 897 886	44 082 329	42 273 432	41 971 467
Lease rentals on operating lease	95 097	4 145 416	95 097	4 145 416
MSIG expenditure	890 000	800 000	890 000	800 000
Magazines, books and periodicals	23 159	19 006	20 340	17 010
Mayoral fund	3 552 552	472 917	3 552 552	472 917
Motor vehicle expenses	352 402	253 724	336 162	253 724
Other expenses	34 180 728	730 804	34 180 728	730 804
Placement fees	37 877	91 477	-	-
Postage and courier	2 409 073	2 536 582	2 409 073	2 509 038
Printing and stationery	429 857	410 484	-	-
Project maintenance costs	18 600	24 700	18 600	24 700
Promotions	2 705 865	3 126 778	2 489 133	2 179 107
Protective clothing	1 131 209	5 695 144	1 131 209	5 640 412
Rehabilitation of landfill sites	135 593	-	135 593	-
Research and development costs	3 112	116 554	-	-
Service costs	2 690 000	1 958 000	2 690 000	1 958 000
Staff welfare	3 609 582	2 967 802	3 383 048	2 585 492
Subscriptions and membership fees	2 184 353	2 221 356	2 184 353	2 221 356
Telephone and fax	4 188 275	4 198 710	2 867 229	2 738 551
Training	1 782 343	1 411 733	1 621 118	813 927
Transport and freight	2 751 629	2 223 091	-	-
Travel - local	99 460	71 850	99 460	71 850
Scrapping and disposal of asset	6 447 551	574 978	6 106 605	-
Valuation costs	1 294 507	(257 803)	1 294 507	(257 803)
Venue expenses	314 400	1 196 900	314 400	1 196 900
	152 891 611	**125 367 119**	**141 220 123**	**108 677 754**

42. Fair value adjustments

Other financial assets				
• Fair value adjustments	105 989	86 404	105 989	86 404

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

43. Auditors' remuneration

Fees	6 968 487	6 478 124	4 693 563	4 083 977

* See Note 49

44. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2014

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	736 239	-	736 239
Long term receivables	-	9 813 438	9 813 438
Receivables from exchange transactions	-	6 436 957	6 436 957
Receivables from non-exchange transactions	-	45 311 257	45 311 257
Consumer receivables	-	201 235 900	201 235 900
Cash and cash equivalents	-	3 902 573	3 902 573
	736 239	**266 700 125**	**267 436 364**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	16 635 191	16 635 191
Payables from exchange transactions	689 829 602	689 829 602
Bank overdraft	47 829 741	47 829 741
	754 294 534	**754 294 534**

Economic entity - 2013

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	630 251	-	630 251
Long term receivables	-	18 788 483	18 788 483
Receivables from exchange transactions	-	18 658 858	18 658 858
Receivables from non-exchange transactions	-	43 839 301	43 839 301
Consumer receivables	-	90 855 746	90 855 746
Cash and cash equivalents	-	12 598 568	12 598 568
	630 251	**184 740 956**	**185 371 207**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	19 501 874	19 501 874
Payables from exchange transactions	422 428 591	422 428 591
Bank overdraft	37 970 227	37 970 227
	479 900 692	**479 900 692**

Controlling entity - 2014

Financial assets

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

. **Financial instruments disclosure (continued)**

	At fair value	At amortised cost	Total
Other financial assets	736 239	-	736 239
Receivables from exchange transactions	-	6 436 957	6 436 957
Receivables from non-exchange transactions	-	7 831 275	7 831 275
Consumer debtors	-	268 825 723	268 825 723
Cash and cash equivalents	-	3 900 070	3 900 070
Long term receivables (current and non-current)	-	9 811 246	9 811 246
	736 239	**296 805 271**	**297 541 510**

Financial liabilities

	At amortised cost	At amortised cost
Other financial liabilities (current and non-current)	16 635 191	16 635 191
Payables from exchange transactions	567 052 010	567 052 010
Bank overdraft	47 770 029	47 770 029
Finance lease obligation	398 987	398 987
Consumer deposit	11 732 591	11 732 591
	643 588 808	**643 588 808**

Controlling entity - 2013

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	630 251	-	630 251
Receivables from exchange transactions	-	18 658 858	18 658 858
Receivables from non-exchange transactions	-	20 802 718	20 802 718
Consumer receivables	-	132 257 517	132 257 517
Cash and cash equivalents	-	5 650 893	5 650 893
Long term receivables (current and non-current)	-	18 788 483	18 788 483
	630 251	**196 158 469**	**196 788 720**

Financial liabilities

	At amortised cost	At amortised cost
Other financial liabilities	19 501 874	19 501 874
Payables from exchange transactions	319 319 971	319 319 971
Taxes and transfers payable (non-exchange)	36 447	36 447
Bank overdraft	37 970 227	37 970 227
Consumer deposits	24 528 932	24 528 932
Finance lease obligation	944 418	944 418
	402 301 869	**402 301 869**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

45. Cash generated from operations

Deficit	(203 941 453)	(186 939 868)	(168 637 087)	(186 065 527)
Adjustments for:				
Depreciation and amortisation	218 545 901	217 002 790	215 724 631	214 697 263
Gain on sale of assets and liabilities	-	217 697	-	-
Restatement of assets - non-cash	-	88 068 642	-	88 068 642
Fair value adjustments	(105 989)	(86 404)	(105 989)	(86 404)
Debt impairment	193 380 438	73 818 582	183 812 901	56 209 276
Movements in retirement benefit assets and liabilities	1 109 000	1 837 000	1 109 000	1 837 000
Movements in provisions	1 595 343	1 585 633	1 595 343	1 585 633
Gains on disposal of assets	-	186 820	-	-
Changes in working capital:				
Inventories	1 144 659	(1 315 553)	437 066	(330 169)
Receivables from exchange transactions	14 410 098	25 548 700	12 221 901	35 469 535
Consumer debtors	(394 992 855)	(109 179 321)	(320 381 107)	(48 999 891)
Receivables from non-exchange transactions	(2 256 103)	(9 523 443)	12 971 443	(617 827)
Payables from exchange transactions	357 227 033	126 321 230	247 732 039	72 701 842
VAT	13 062 002	13 144 976	17 266 574	523 581
Taxes and transfers payable (non exchange)	(36 447)	-	(36 447)	-
Unspent conditional grants and receipts	(809 053)	(2 426 493)	(809 053)	(2 426 493)
Consumer deposits	(12 796 341)	(126 011)	(12 796 341)	(126 011)
Long service liability	1 525 036	5 047 000	1 525 036	5 047 000
	187 061 269	**243 181 977**	**191 629 910**	**237 487 450**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

46. Commitments

Authorised capital expenditure

Approved and contracted for				
• Capital	89 850 224	10 786 070	75 481 915	6 857 259
• Operational	3 815 133	148 861	-	148 861
	93 665 357	**10 934 931**	**75 481 915**	**7 006 120**

Approved and not yet contracted for				
• Capital	-	-	22 803 051	-

This committed expenditure relates to property, plant and equipment and will be financed by grants, available bank facilities, accumulated surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due				
- within one year	5 730 285	6 857 259	5 730 285	6 857 259
- in second to fifth year inclusive	2 161 392	-	2 161 392	-
	7 891 677	**6 857 259**	**7 891 677**	**6 857 259**

Operating lease payments represent rentals payable by the municipality for certain motor vehicles and the lease on the streetlights. The operating lease contracts contains variable rental rates and is subject to changes and the contract is cancellable at any time. The above is based on the assumption that the rate will be fixed for the next financial year and the motor vehicles will be used for the next 12 months. For the current year the municipality did not acquire any vehicles.

Operating leases - as lessor (income)

Minimum lease payments due				
- within one year	213 246	125 200	213 246	125 200
- in second to fifth year inclusive	28 915	23 661	28 915	23 661
	242 161	**148 861**	**242 161**	**148 861**

The council leases various fixed properties under non-cancellable operating leases to various parties. The lease agreements contains escalations of 10% or 12% per year with the agreements varying from 5 to 9 years and 11 months. Rental income, from these agreements, to the value of R281 991 (2013: R113 212) has been recognised in the statement of financial performance during the year.

* See Note 49

47. Contingencies

Management cannot reliably estimate the financial effect of the claims due to uncertainties relating to when the cases will be resolved and management are not able to reliably determine the amount payable. The amount disclosed, where applicable, reflects the claim against the council.

There is no reimbursements from any third part for potential obligations of the municipality.

All claims are being contested based on legal advice.

The municipality were unable to reliably estimate the amount of the following contingencies:

Contingencies from the Controlling entity:
Free State heritage assets

A case was lodged during the year against the Municipal Manager (Mr Ntombela at the time) for compulsory repairs and maintenance to one of the Free State Heritage assets. No actual damage was experienced, thus no value of expenses on the heritage asset can be linked to the asset.

Rural Free State

During the year the municipality contracted Rural Free State to assist in the billing and collecting of electricity from September 2013 on behalf of Maluti-a-Phofung. The contract was terminated during April 2014 and currently a court decision is awaited on the dispute between the municipality and Rural Maintenance about the validity of the contract. Royalties linked to this contract were calculated as R2 833 589, this amount will only be determined with the final outcome of the court case. Currently there is 95 employees which court has indicated as MAP employees and thus were provided for.

Contingencies from the Controlled entity:
South African Revenue Services (SARS)

The contingency disclosed for SARS where VAT declarations were timeously submitted however SARS returned correspondence that the municipal entity should submit supporting documents for the VAT input claimed. This was not submitted and the inputs were reversed and the VAT statement indicated that the municipal entity now owes money to SARS. An objection was submitted due to the fact that the vat receivable is valid. Should the submission for objection be denied, the municipal entity will be liable for VAT payments of R 4 538 262.

Based on guidance from the VAT 419 Guide for Municipalities, Output VAT should be declared at standard rate by the entity on the grants received from the municipality. The revised VAT returns were incorrect. The possibility exists that SARS could reverse the refund after an audit has been performed which could result in the entity having to pay the refund of R11 200 000 (2013: R16 775 293) together with penalties and interest.

Gestetner

The contingency disclosed for Gestetner relates to a finance lease term which came to an end, but the lease was not cancelled. A monthly premium was levied and a legal case is now pending of which the outcome is uncertain. Should the municipal entity lose the case, the amount payable would be R2 million.

Litigation in the process against the council relating to civil claims include the following:				
Claims for damages	1 212 334	2 332 639	1 212 334	2 332 639
Claims for services rendered	19 436 953	10 073 975	19 436 953	10 073 975
Claims on arrear payments	3 799 165	-	3 799 165	-
Claims for alleged breach of contract	130 000	13 735 000	130 000	13 735 000
Claim by supplier for expropriation of land to Council	3 710 000	-	3 710 000	-
Claims for VAT declarations	4 538 262	4 538 262	-	-
Assets - royalties in terms of Rural contract	(2 228 196)	-	(2 228 196)	-
Glaims on finance lease payments	2 000 000	2 000 000	-	-

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*
47. Contingencies (continued)				
	32 598 518	**32 679 876**	**26 060 256**	**26 141 614**

48. Related parties

Relationships

Controlled entities	Refer to note 11
Management	Refer to note 31
Councillors	Refer to note 32

Related party balances

	Economic entity 2014	Economic entity 2013 Restated*	Controlling entity 2014	Controlling entity 2013 Restated*
Amounts included in Trade Receivable (Trade Payable) regarding related parties				
Maluti-a-Phofung Water (Pty) Ltd			(66 489 664)	(51 886 315)
Maluti-a-Phofung Water (Pty) Ltd (Insurance)			8 039 590	8 039 590
Maluti-a-Phofung Water (Pty) Ltd (Fleet management)			82 494	253 525
Amounts included in the consumer receivables				
Maluti-a-Phofung Water (Pty) Ltd			7 525 201	6 428 823
Amounts included in grants and subsidies paid				
Maluti-a-Phofung Water (Pty) Ltd			80 000 000	77 723 777
Amounts included in the bulk purchases				
Maluti-a-Phofung Water (Pty) Ltd			30 469 062	33 922 563

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

49. Prior period errors

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

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

1. **Government grants and subsidies**

On the EDMG grant R1 000 000 was spent in the prior year but the revenue on the grant was not recognised, thus the unspent grants were overstated and revenue understated by R1 000 000.

The effect of these adjustments on the prior period are as follows:

	2014	2013 Restated*	2014	2013 Restated*
Adjustments affecting the statement of financial position				
Decrease in Unspent conditional grants and receipts	-	(1 000 000)	-	(1 000 000)
Adjustments affecting the statement of financial peformance				
Increase in Revenue	-	1 000 000	-	1 000 000

2. **Consumer deposits reclassification**

Refunds of R85 919 relating to consumer deposits were reclassified from Receivables from exchange transactions to Consumer deposits after incorrectly included under Receivables from exchange transactions. This resulted in consumer deposits being understated and receivables from exchange transactions being overstated by R85 919.

The effect of these adjustments on the prior year are as follows:

	2014	2013 Restated*	2014	2013 Restated*
Adjustments affecting the statement of financial position				
Decrease in Consumer deposits	-	85 919	-	85 919
Decrease in Receivables from exchange transactions	-	(85 919)	-	(85 919)
	-	-	-	-

3. Bulk purchases

Economic entity: VAT to the amount of R805 683.43 not claimed and subsequently incorrectly included in expenses were corrected.

Correction of Eskom payments which was incorrectly accounted for as deposits on receivables from exchange transactions.

During confirmation of the current year Eskom deposit, it was found that a payment for bulk purchases were incorrectly allocated to deposits in teh prior year. In addition this resulted in VAT being incorrectly claimed. This error resulted in the VAT receivable and bulk purchases to be understated, the receivables from exchange transactions and general expenditure to be overstated. This error resulted in the VAT receivable and bulk purchases to be understated and receivables from exchange transactions and general expenditure to be understated.

Controlled entity: The creditor was not raised in the prior year as it was in dispute and was recognised as a contingent liability. The entity has since fully recognised the supply creditor balance in the current year.

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

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*
49. Prior period errors (continued)				
Adjustments affecting the statement of financial position				
Increase in VAT receivable	-	1 736 921	-	1 736 921
Decrease in Receivables from exchange transactions	-	(8 091 371)	-	(8 091 371)
Trade payables	-	(83 069 305)	-	-
Accumulated surplus	-	83 069 305	-	-
	-	**(6 354 450)**	**-**	**(6 354 450)**
Adjustments affecting the statement of financial performance				
Decrease in General expenditure	-	(805 683)	-	(805 683)
Increase in Bulk purchases	-	7 160 134	-	7 160 134
	-	**6 354 451**	**-**	**6 354 451**

4. **Employee costs**

Economic entity: During the prior year two amounts for subsistence and travel allowances were not included in employee costs. This resulted in accounts payable to be understated and employee related cost to be overstated.

Controlled entity:

The effect of these adjustments on the prior year are as follows:

Adjustments affecting the statement of financial position				
Increase in Accounts payable	-	(98 126)	-	(25 318)
Adjustments affecting the statement of financial performance				
Increase in employee related costs	-	98 126	-	25 318

5. Finance lease liability

A correction was done on the prior year with regards to the classification of the streetlight rentals as finance leases. As a result the leases were re-classified and now treated as operating leases. This error resulted in the finance lease liability to be understated. This error resulted in the finance lease liability to be understated and contracted services and finance cost to be overstated.

The effect of these adjustments on the prior year are as follows:

Adjustment against the opening accumulated surplus / (deficit)	-	(10 204 301)	-	(10 204 301)
Adjustments affecting the statement of financial position				
Decrease in finance lease liability	-	(6 102 519)	-	(6 102 519)
Adjustments affecting the statement of financial performance				
Increase in contracted services	-	16 113 951	-	16 113 951
Increasing in finance cost	-	192 869	-	192 869
	-	**16 306 820**	**-**	**16 306 820**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

49. Prior period errors (continued)

6. Inventory write-off

A correction of R3 184 was done on the write off on inventory in the prior year. This error resulted in the inventories to be understated and general expenses to be understated by R3 184.

The effect of these adjustments on the prior year are as follows:

Adjustments affecting the statement of financial position				
Increase in inventories	-	3 184	-	3 184
Adjustments affecting the statement of financial performance				
Decrease in general expenses	-	3 184	-	(3 184)

7. Repairs and maintenance

A correction was done in repairs and maintenance for an amount of R2 052 000 incorrectly captured in the incorrect financial year. This error resulted in repairs and maintenance and trade payables to be understated.

The effect of these adjustments on the prior year are as follows:

Adjustments affecting the statement of financial performance				
Increase in Repairs and Maintenance	-	2 052 000	-	2 052 000
Adjustments affecting the statement of financial position				
Increase in Payables from exchange transactions	-	(2 052 000)	-	(2 052 000)

8. Provision for closure costs

A restatement with regards to the opening balance of the provision for closure cost was performed due to the total provision incorrectly calculated in the prior year on the total area footprint of the landfill site. The prior year balance was restated to reflect the calculation on the waste area footprint. This error resulted in rental of facilities, provision for landfill site and accumulated surplus to be understated.

Adjustments affecting the statement of financial performance				
Decrease in rental of facilities	-	(655 267)	-	(655 267)
Adjustments affecting the statement of financial position				
Decrease in the provision for landfill site	-	11 555 136	-	11 555 136
Increase in accumulated surplus	-	(10 899 869)	-	(10 899 869)
	-	**655 267**	**-**	**655 267**

9. Property, plant and equipment, investment property, heritage assets and intangible assets

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

49. Prior period errors (continued)

Economic entity: The property register was reconstructed and the DRC values were corrected (previously the 2009 values were used as base, but now corrected to the 2007 values). This error resulted in depreciation, repairs and maintenance, property, plant and equipment and accumulated surplus to be overstated and restatement of asset expense and investment property to be understated.

Controlled entity: The disposal amounts were incorrectly recorded in the accounting records. The impact thereof was that property, plant and equiopment and accumulated surplus was understated.

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

Adjustments affecting the statement of financial performance				
Depreciation	-	(79 346 812)	-	(79 017 565)
Other income	-	329 247	-	-
Impairment expenses	-	(52 414)	-	-
Repairs and maintenance	-	(1 838 539)	-	(1 838 539)
Restatement of assets	-	88 068 641	-	88 068 641
	-	**7 160 123**	**-**	**7 212 537**

Adjustments affecting the statement of financial position				
Property, plant and equipment	-	(1 304 408 641)	-	(1 304 737 888)
Investment property	-	17 773 762	-	17 773 762
Accumulated surplus	-	1 279 474 756	-	1 279 751 589
	-	**(7 160 123)**	**-**	**(7 212 537)**

10. Property, plant and Equipment

The disposal amounts were incorrectly recorded in the accounting records. The impact thereof was that property plant and equipment and accumulated surplus was understated

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

Adjustments affecting the statement of financial position				
Property, plant and equipment	-	329 247	-	329 247
Depreciation	-	(329 247)	-	(329 247)
	-	**-**	**-**	**-**

Adjustments affecting the statement of financial performance				
Other income	-	329 247	-	329 247
Depreciation	-	(329 247)	-	(329 247)
	-	**-**	**-**	**-**

11. Bulk water creditor

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

49. Prior period errors (continued)

The creditor was not raised in the prior year as it was in dispute and was recognised as a contingent liability. The entity has recognised the contingent liability in the current year.

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

Adjustments affecting the statement of financial position				
Trade payables from exchange transactions	-	(72 808)	-	-
Adjustments affecting the statement of financial performance				
Personnel costs	-	72 808	-	-

12. Trade payables, trade receivables and VAT

Contolled entity: In the previous years the trade payables, trade receivables and VAT were incorrectly stated.

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

Adjustments affecting the statement of financial position				
Accumulated surplus / (deficit)	-	(1 265 721)	-	-
Trade payables	-	1 268 250	-	-
VAT payables	-	(80 355)	-	-
Trade receivables	-	(2 529)	-	-
	-	**(80 355)**	**-**	**-**
Adjustments affecting the statement of financial performance				
General expenses	-	80 365	-	-

Statement of Financial Performance for the year ended 30 June 2014	Balance as previously reported	Prior period error	Reclassified	Restated balance
Revenue				
Other income	13 185 077	(329 247)	-	12 855 830
Government grants and subsidies	634 002 409	1 000 000	-	635 002 409
Total revenue	647 187 486	670 753	-	647 858 239
Expenditure				
General expenditure	(126 095 658)	728 539	-	(125 367 119)
Employee related costs	(198 611 117)	(25 318)	-	(198 636 435)
Bulk purchases	(382 096 875)	28 839 475	-	(353 257 400)
Community project expenditure	(43 391 679)	33 344 823	-	(10 046 856)
Finance costs	(8 919 020)	1 336 516	-	(7 582 504)
Repairs and maintenance	(79 800 240)	38 539	-	(79 761 701)
Depreciation	(298 234 836)	80 573 552	-	(217 661 284)

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*
49. Prior period errors (continued)				
Restatement of assets	-	(88 068 642)	-	(88 068 642)
Contracted services	(84 030 643)	(38 127 852)	-	(122 158 495)
Impairment of assets	132 636	(52 414)	-	80 222
Total expenditure	221 047 432)	18 587 218	-	202 460 214)
Surplus / (deficit) adjusted for the year	(573 859 946)	19 257 971	-	(554 601 975)

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

49. Prior period errors (continued)

Statement of Financial Position as at 30 June 2014	Balance as previously reported	Prior period error	Reclassified	Restated balance
Assets				
Current Assets				
Inventories	2 672 590	189 918 476	-	192 591 066
Receivables from non-exchange transactions	6 357 612	(2 529)	-	6 355 083
VAT receivable	4 129 178	1 988 916	-	6 118 094
Receivables from exchange transactions	26 836 148	(13 303 154)	85 919	13 618 913
Cash and cash equivalents	3 332 493	-	2 318 400	5 650 893
Finance assets	2 670 662	-	(2 670 662)	-
Total current assets	45 998 683	178 601 709	(266 343)	224 334 049
Non-current Assets				
Investment property	25 102 766	17 773 762	-	42 876 528
Property, plant and equipment	365 773 571	481 038 046)	-	884 735 525
Financial assets	277 989	352 262	-	630 251
Total non-current assets	391 154 326	462 912 022)	-	928 242 304
Liabilities				
Current Liabilities				
Payables from exchange transactions	439 710 022	40 574 012	-	480 284 034
Unspent conditional grants and receipts	8 853 932	(1 000 000)	-	7 853 932
Consumer deposits	24 614 851	-	(85 919)	24 528 932
VAT Payable	-	80 355	-	80 355
Finance lease liability	3 389 208	(2 843 777)	-	545 431
Total current liabilities	476 568 013	36 810 590	(85 919)	513 292 684
Non-current Liabilities				
Provisions	37 268 911	(11 555 136)	-	25 713 775
Finance leases	3 657 729	(3 258 742)	-	398 987
Total non-current liabilities	40 926 640	(14 813 878)	-	26 112 762
Net Assets				
Accumulated surplus	041 099 655	308 784 901)	-	732 314 754
Total net assets	041 099 655	308 784 901)	-	732 314 754

50. Comparative figures

Certain comparative figures have been reclassified, please refer to note 49.

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

51. Risk management

Financial risk management

The economic entity’s activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk.

This note presents information about the municipality's exposure to each of the above risks and the municipaity's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout the annual financial statements.

Liquidity risk

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

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

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. The municipality's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unauthorised expenditure. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The municipality has not defaulted on external loans, payables and lease commitments payments being either interest or capital and no renegotiation of terms were made on any of these instruments.

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

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	2 872 995	13 762 196	-	-
Payables from exchange transactions	558 670 514	-	-	-
Finance lease obligation	398 987	-	-	-
	561 942 496	**13 762 196**	**-**	**-**

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Other financial liabilities	2 485 265	17 016 609	-	-
Payables from exchange transactions	360 359 525	-	-	-
Finance lease obligation	545 431	398 987	-	-
	363 390 221	**17 415 596**	**-**	**-**

* See Note 49

51. Risk management (continued)

Credit risk

Credit risk is managed on a group basis.

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

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

Risk limits are set bas3ed on internal or external ratigs in accordance with imits set by the board. The uitilisation of credit limits are regularly monitored. Sales to retail cusotmers are settled in cash or usig major credit cards.

The municipality's trade exposures to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the municipality such as water, sanitations and rates levied. The municipality's exposure and credit ratings of its cusotmers are continuously monitored. The municipality establishes an allowance for bad debts that represents its estimate of incurre losses in respect of trade and other receivables. No trade or otehr receivables have been pledged as security. Certain trade and other receivables that were past due ahve been defaulted on by counterparties, thus legal action has been instited against these parties in an attmpt to recover this debt. Where debt is irrecoverable it has been written off. No conditions or terms of the trade and other receivables have been renegotiated with counterparties.

Payables to the municipality's subsidiary Maluti-a-Phofung Water (Pty) Ltd accounts for 12% of the maximum credit risk exposure for the municipality. The account payable originated in accordance with the sale of business agreement for the purchases of the water serve by Maluti-a-Phofung Water (Pty) Ltd. No trade and other payables have been pledged as security. When loans become irrecoverable they are written off. No conditions or terms of teh loans have been renegotiated with counterparties.

The municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 1990 (Act No 94 of 1990) operating in South Africa. No cash and cash equivalents have been pledged as security. No terms or conditions were required to be renegotiated with the bank and no cash were defaulted on by the bank holding the municipality's cash. There were no restrictions with regards to the used of cash, barring the municipality's compliance with the Municipal Finance Management Act requirement regarding cash management.

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

Financial instrument	**Economic entity - 2014**	**Economic entity - 2013**	**Controlling entity - 2014**	**Controlling entity - 2013**
Receivables from exchange transactions	19 074 038	18 658 858	19 074 038	18 658 858
Cash and cash equivalents	2 218 411	10 280 168	2 215 908	3 332 493
Consumer receivables	268 825 723	132 217 517	268 825 723	132 217 517
Long term receivables	70 369 910	18 788 483	70 369 910	18 788 483
Other financial assets (Current and Non-current)	2 320 144	2 948 651	2 320 144	2 948 651

Market risk

Interest rate risk

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

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

52. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of R 2 677 681 455 (2013: surplus R2 846 318 545). In total the group had an accumulated surplus of R 2 545 028 287 (2013: R 2 748 969 740).

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.

There has been a significant increase in the receivables impairment provision, water losses are significant and the current liabilities exceed the current assets. However, the accounting officer continue to procure funding for the ongoing operations, a receivable data cleansing and collection process are planned which will result in revenue enhancement and improvement in debt collection, in addition the municipality should be able to operate within its overdraft. The accounting officer are not aware of any reason why the overdraft facility should not be extended. As a result a going concern basis of accounting has been adopted.

Projected allocations have been assessed and future government funding did not give any indication of funds not going to be received. Government did not announce that it intends to cease funding to Maluti-a-Phofung.

53. Events after the reporting date

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

54. Unauthorised expenditure

Opening balance	140 786 508	-	137 029 648	-
Office of the municipal manager	5 951 589	-	5 951 589	-
Corporate Services	3 958 253	-	3 958 253	-
Financial Serivices	181 451 112	-	181 451 112	-
Municipal Infrastructure	218 860 015	-	218 860 015	-
Community Services	2 267 547	-	2 267 547	-
Public Safety and Transport	3 496 959	-	3 496 959	-
LED and Tourism	3 920 945	-	3 920 945	-
Housing spatial development planning	14 384 487	-	14 384 487	-
Previous years unauthorised	12 393 670	140 786 508	-	137 029 648
	587 471 085	**140 786 508**	**571 320 555**	**137 029 648**

55. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	33 611 078	13 076 793	31 557 459	11 302 219

Economic entity: Fruitless expenditure relates to interest on Eskom, Rural Free State, Telkom and SARS overdue accounts.

Controling entity: Fruitless and wasteful expenditure (interest and penalties) relates to interest and penalties that were charged for the late
payment of defined contribution plan deductions amounting to R21 622 (2013: R304 733) and the late submission
of returns to SARS of R257 423 (2013 : R366 095).

The fruitless and wasteful expenditure of R279 045 is to be laid before the board of directors for condonent.

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

56. Irregular expenditure

	2014	2013 Restated*	2014	2013 Restated*
Opening balance	4 258 634	11 524 729	3 310 194	-
Add: Irregular Expenditure - current year	66 402 405	4 525 385	63 574 485	3 310 194
Less: Amounts condoned	-	(11 791 480)	-	-
	70 661 039	**4 258 634**	**66 884 679**	**3 310 194**

All irregular expenditure pertains to the supply chain management policy of the municipality not being followed. For details on the irregular expenditure refer to the deviations report for the financial year 2013/2014.

The full extent of the irregular expenditure is still in process of being investigated.

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Overpayment of various councillors	Will be investigated	2 336
Deviations to the supply chain process	Will be investigated	29 350 874
Supply chain management policy not followed	Will be investigated	34 221 275
Supply chain management policy not followed	Management is still in the process of condoning the expenditure	2 827 920
		66 402 405

57. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

	2014	2013 Restated*	2014	2013 Restated*
Opening balance	15 907	-	-	-
Current year subscription / fee	2 141 657	1 948 691	1 928 091	1 770 111
Amount paid - current year	(2 065 941)	(1 932 784)	(1 928 091)	(1 770 111)
Amount paid - previous years	(15 907)	-	-	-
	75 716	**15 907**	**-**	**-**

Audit fees

	2014	2013 Restated*	2014	2013 Restated*
Opening balance	772 341	-	772 341	-
Current year subscription / fee	6 968 487	7 250 465	4 693 563	4 856 318
Amount paid - current year	-	(4 083 977)	-	(4 083 977)
	7 740 828	**3 166 488**	**5 465 904**	**772 341**

PAYE and UIF

	2014	2013 Restated*	2014	2013 Restated*
Opening balance	2 705 642	1 688 681	2 087 753	1 688 681
Current year subscription / fee	40 437 925	31 128 012	31 680 832	24 019 669
Amount paid - current year	(35 924 962)	(28 442 370)	(28 770 540)	(21 951 916)
Amount paid - previous years	(2 705 642)	(1 668 681)	(2 087 753)	(1 668 681)
	4 512 963	**2 705 642**	**2 910 292**	**2 087 753**

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

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

Pension and medical aid deductions

Opening balance	2 639 924	3 486 705	2 577 180	3 112 531
Current year subscription / fee	58 428 931	44 174 860	47 001 700	29 358 282
Amount paid - current year	(52 876 188)	(41 534 936)	(43 020 886)	(26 781 102)
Amount paid - previous years	(2 639 924)	(3 486 705)	(2 577 180)	(3 112 531)
	5 552 743	**2 639 924**	**3 980 814**	**2 577 180**

VAT

VAT receivable	31 940 918	6 311 432	22 674 660	1 235 734
VAT	(38 929 428)	(237 940)	(38 863 085)	(157 585)
	(6 988 510)	**6 073 492**	**(16 188 425)**	**1 078 149**

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

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

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

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

Councillors' arrear consumer accounts

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

30 June 2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
Khoapa NA	45	-	45
Komako AM	1 034	1 949	2 983
Lebesa MJ	562	235	797
Letooane SG	482	369	851
Mahlambi TJ	1 043	2 572	3 615
Mavuso MT	689	1 217	1 906
Mohlekwa TR	158	-	158
Mopeli N	448	916	1 364
Mosikidi TJ	638	740	1 378
Mositi MC	7 931	2 630	10 561
Motaung PM	642	1 069	1 711
Mpakathe TS	1 662	3 041	4 703
Ntamane VM	93	-	93
	15 427	**14 738**	**30 165**

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Kleynhans LM	2 549	-	2 549
Letooane SG	932	-	932
Mavuso MT	776	4 916	5 692
Mofana MM	539	2 792	3 331
Mohlekwa TR	334	-	334
Mokoena LE	386	4 825	5 211
Moleleki MS	365	-	365
Mopeli MS	4 635	28 027	32 662
Mopeli N	787	13 897	14 684
Mositi MC	2 458	5 312	7 770
Motaung PM	770	1 800	2 570
Nhlapo MA	1 629	-	1 629
Ramakarane TA	47	3 443	3 490
	16 207	**65 012**	**81 219**

During the year the following councilors' had arrear accounts outstanding for more than 90 days.

30 June 2014	Highest outstanding amount	Aging (in days)	Highest outstanding amount	Aging (in days)
Khoapa NA	45	30	45	30
Komako AM	2 983	90	2 983	90
Lebesa MJ	797	90	797	90
Letooane SG	851	90	851	90
Mahlambi TJ	3 615	90	3 615	90
Mavuso MT	1 906	90	1 906	90

* See Note 49

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
	2014	2013 Restated*	2014	2013 Restated*

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

Mohlekwa TR	158	30	158	30
Mopeli N	1 364	90	1 364	90
Mosikidi TJ	1 378	90	1 378	90
Mositi MC	10 561	90	10 561	90
Motaung PM	1 711	90	1 711	90
Mpakathe TS	4 703	90	4 703	90
Ntamane VM	93	30	93	30
	30 165	**990**	**30 165**	**990**

30 June 2013	**Highest outstanding amount**	**Aging (in days)**	**Highest outstanding amount**	**Aging (in days)**
Kleynhans LM	2 549	30	2 549	30
Letooane SG	932	30	932	30
Mavuso MT	5 692	90	5 692	90
Mofana MM	3 331	90	3 331	90
Mohlekwa TR	334	30	334	30
Mokoena LE	5 211	90	5 211	90
Moleleki MS	365	30	365	30
Mopeli MS	32 662	90	32 662	90
Mopeli N	14 684	90	14 684	90
Mositi MC	7 770	90	7 770	90
Motaung PM	2 570	90	2 570	90
Nhlapo MA	1 629	30	1 629	30
Ramakarane TA	3 490	90	3 490	90
	81 219	**870**	**81 219**	**870**

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 condoned.

Incident				
In an emergency	1 730 843	-	1 620 143	-
Goods or services are produced or available from a single provider only	1 382 570	-	1 382 570	-
Other	20 273	-	-	-
Any other exceptional case where it is impractical or impossible to follow the official procurement process	563 170	-	552 480	-
	3 696 856	**-**	**3 555 193**	**-**

58. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	16 635 191	19 501 874	16 635 191	19 501 874

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act.

59. Budget differences

Material differences between budget and actual amounts

The following material operational differences occurred:

* See Note 49

59. Budget differences (continued)

Service charges: The municipality under budgeted by R 172 152 966. The budget was adjusted downwards for electricity charges due to the contract with Rural Maintenance who took over the collection of electricity charges during September 2013. Rural Maintenance left in April 2014 and the municipality started billing for electricity again from April 2014, hence the large difference between budget and actual.

Interest received: The municipality over budgeted by R1 637 728. The budget on the interest portion was not adjusted for the contract with Rural Maintenance on electricity interest charges on arrear accounts.

Other Income: The municipality under budgeted by -R187 055 373. An amount of R183 790 362 was bugeted to be received from old debt from provincial public works. The debt was received but was allocated then under the rates and taxes vote number and not receipted as other income.

Direct taxes: The municipality over budgeted by R2 357 288. The income received from traffic fines were considerably less than what was budgeted for.

Property rates: The municipality over budgeted by R36 955 700. During the year the municipality together with public works underwent a properties verification process and it was found that there were lots of duplications whereby stands that share the same LPI codes were charged twice.

Government grants and subsidies: The municipality over budgeted by R 276 306 111. An amount of R98 000 000 was budgeted to be recieved from DBSA but the money was never received. A lesser amount on the Equitable share grant than budgeted for was received due to the unspent grants that were not paid back in the prior year to National Treasury

Personnel costs: The municipality over budgeted by R11 728 619. Vacant posts that have not yet been filled was budgeted for.

Remuneration of councilors: The municipality over budgeted by R866 109. Vacant posts that have not yet been filled was budgeted for.

Community project expenditure: The municipality under budgeted by -R82 151 390. Due to limited funds and the DBSA loan not received not all projects could be funded by the municipality's own sources.

Repairs and maintenance: The municipality over budgeted by R41 290 600. Due to limited cash flow not all repairs and maintenance could be performed as budgeted for.

Debt impairment: The municipality under budgeted by R102 246 343. The payment ratio decreased in the current year from the prior year which increased the debt impairment.

Bulk purchases: The municipality under budgeted by R219 163 377. A contract was entered into with Rural Free State where the electricity function would have been outsourced. The contract was terminated after six moths which lead to an increase in electricity bulk purchases which was not budgeted for.

Contracted Services: The municipality over budgeted by R42 550 316. There are still invoices that need to be paid

General expenditure: The municipality over budgeted by R74 093 227. Due to limited cash flow not all mayoral projects budgeted for in terms of the elections could be carried out.

Depreciation and amortization: The municipality under budgeted by R 67 072 356. Due to the contract of Rural maintenance, it was anticipated that lesser assets would be capaitalised but it left on the 1st of April 2014, the contract was not feasible.