STEVE TSHWETE LOCAL MUNICIPALITY

Annual Financial Statements

for the year ended 30 June 2014

General Information

MEMBERS OF THE MAYORAL COMMITTEE & THEIR PORTFOLIOS

Councillor

Executive Mayor	Masina	M.A.
MMC Community Protection Services	Nkosi	E.P.
MMC Corporate Services	Pilodia	H.
MMC Environmental Health & Public Facility Services	Motsepe	D.J.
MMC Financial Services	Mathebula	E.F.
MMC Infrastructure Development & Service Delivery	Mahlangu	N.J.
MMC Spatial Development & Human Settlement	Nkadimeng	S.D.
Speaker	Xaba	R.M.
Chief Whip	Ndala	B.P.

WARD COUNCILLORS

Ward 1	Skhosana	D.J.
Ward 2	Nene	B.
Ward 3	Mathebula	E.F.
Ward 4	Nyambi	M.E.
Ward 5	Malinga	O.
Ward 6	Mkhuma	L.E.
Ward 7	Matshiane	J.
Ward 8	Skosana	B.C.
Ward 9	Skosana	J.
Ward 10	Longman	D.M.
Ward 11	Struwig	A.
Ward 12	Niemann	H.F.
Ward 13	Wait	S.
Ward 14	Pretorius	J.P.
Ward 15	Langeveld	T.R.
Ward 16	Dyason	J.
Ward 17	Sekgwele	M.J.
Ward 18	Thwala	P.I.
Ward 19	Nkosi	E.P.
Ward 20	Lukhele	S.A.
Ward 21	Mahlangu	N.J.
Ward 22	Motebu	M.S.
Ward 23	Selala	M.J.
Ward 24	Tau	P.P.
Ward 25	Mbatiwe	M.
Ward 26	Hadebe	P.M.
Ward 27	Manzini	L.I.
Ward 28	Nkambule	N.J.
Ward 29	Motsepe	E.O.

General Information

COUNCILLORS, PROPORTIONAL

Du Toit	E.	Motsoeneng	J.S.
Grobler	A.S.	Mtshweni	Z.D.
Longman	D.M.	Ndala	B.P.
Mahlangu	T.B.	Ndlangamandla	T.G.
Masilela	P.J.	Nkadimeng	S.D.
Masina	M.A.	Pilodia	H.
Mlambo	N.J.	Romjin	G.H.E.
Mnguni	M.T.E.	Roos	S.J.
Mnguni	M.R.	Selala	M.T.
Mnguni	S.M.	Shongwe	P.M.
Mobango	P.	Uys	K.P.J.
Mogola	S.M.	Van Zyl	T.N.
Mokoena	B.H.	Xaba	R.M.
Monareng	K.N.	Zitha	S.S.
Motsepe	D.J.		

MEMBERS OF THE AUDIT COMMITTEE

Chairperson	Mmapheto	M.A.
Members	Chuene	V.K.
	Gafane	T.
	Ngwenya	S.A.

GRADING OF LOCAL AUTHORITY
Grade 4
High Capacity

AUDITORS
Auditor-General
Nelspruit

BANKERS
ABSA Bank
Nelspruit

LEGAL ADVISORS
Johan Alberts
Van Deventer & Campher

REGISTERED OFFICE
Civic Centre
Wanderers Avenue
Middelburg
1050

POSTAL ADDRESS
P.O. Box 14
Middelburg
1050

General Information

Municipal Manager	W.D. Fouché
Telephone	(013) 249 7264
E-mail address	wfouche@stevetshwetelm.gov.za
Deputy Municipal Manager	S.N. Mnguni
Telephone	(013) 249 7740
E-mail address	mandla.mnguni@stevetshwetelm.gov.za
Executive Director Financial Services	E. Wassermann
Telephone	(013) 249 7106
E-Mail address	ewassermann@stevetshwetelm.gov.za
Executive Director Corporate Services	T. Mekuto
Telephone	(013) 249 7242
E-mail address	tmekuto@stevetshwetelm.gov.za
Executive Director Community Services	M.C. Hlatshwayo
Telephone	(013) 249 7202
E-mail address	caroline.hlatshwayo@stevetshwetelm.gov.za
Executive Director Infrastructure Services	Vacant
Telephone	(013) 249 7208
E-mail address	council@stevetshwetelm.gov.za

ENQUIRIES

Electricity	(013) 249 7223/7231
Water & Sewerage	(013) 249 7168
Consumers	(013) 249 7156

PAYPOINTS

Chromeville	(013) 241 2928
Hendrina	(013) 293 0000
Komati	(013) 295 3102
Kwazamokuhle	(013) 294 1212
Mhluzi	(013) 242 1030
Mhluzi Extension 5	(013) 241 7222
Nasaret	(013) 246 1177
Pullenshope	(013) 296 1630
Rietkuil	(013) 297 1075
Van Calder	(013) 243 2400

Municipal Manager’s approval of annual financial statements

I, W.D. Fouché, accounting officer of the Steve Tshwete Local Municipality, am responsible for the preparation of the annual financial statements, which are set out on pages 1 to 118 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

The reports and statements set out above comprise the annual financial statements to the National Treasury in accordance with the Standards of Generally Recognized Accounting Practices (GRAP) as prescribed by the Minister of Finance in terms of General Notice 516 of 2008 and the accounting framework as set out in the Accounting Standards Board (ASB) directives read together with directive 3 transitional provisions for high capacity municipalities.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers At, Act No. 20 of 1998.

MUNICIPAL MANAGER

29 August, 2014

STEVE TSHWETE LOCAL MUNICIPALITY

Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

	Note(s)	2014 R	2013 - restated R
Assets			
Current Assets			
Cash and cash equivalents	3	82 354 766	57 395 683
Consumer debtors	4	46 422 955	46 827 118
Receivables from exchange transactions	5	15 715 462	14 682 634
Receivables from non-exchange transactions	6	13 484 579	14 140 490
Inventory	7	158 423 960	58 552 390
Investments	8	350 000 000	348 000 000
Deferred Leases	9	3 383 107	3 526 200
VAT receivable	10	3 181 850	2 079 427
Long term loans	11	202 796	297 245
		673 169 475	**545 501 187**
Non-Current Assets			
Long term loans	11	84 088	120 097
Property, plant and equipment	12	5 972 493 652	5 918 937 255
Intangible assets	13	2 832 014	1 997 863
		5 975 409 754	**5 921 055 215**
Non-Current Assets		5 975 409 754	5 921 055 215
Current Assets		673 169 475	545 501 187
Total Assets		**6 648 579 229**	**6 466 556 402**
Liabilities			
Current Liabilities			
Consumer deposits	14	64 930 122	58 557 471
Provisions	15	6 687 833	6 196 382
Trade payables from exchange transactions	16	143 262 790	124 377 257
Trade payable from non-exchange transactions	17	2 907 003	2 792 549
Unspent conditional grants and receipts	18	8 624 089	6 901 446
Current portion of long term liabilities	19	12 952 730	11 693 419
Finance lease obligation	20	216 590	163 428
Current portion of post employment benefits	21	2 712 000	2 128 886
Current portion of long service award liability	22	1 816 001	1 136 699
		244 109 158	**213 947 537**
Non-Current Liabilities			
Provisions	15	6 083 929	309 287
Long term liabilities	19	88 839 531	101 797 958
Finance lease obligation	20	281 168	64 411
Post employment benefits	21	67 713 000	67 494 822
Long service award	22	14 929 999	12 603 378
		177 847 627	**182 269 856**
Non-Current Liabilities		177 847 627	182 269 856
Current Liabilities		244 109 158	213 947 537
Total Liabilities		**421 956 785**	**396 217 393**
Assets		6 648 579 229	6 466 556 402
Liabilities		(421 956 785)	(396 217 393)
Net Assets		**6 226 622 444**	**6 070 339 009**

Statement of Financial Position as at 30 June 2014

	Note(s)	2014 R	2013 R
Net Assets			
Reserves			
Housing development fund	23	7 061 612	7 061 612
Accumulated surplus		6 219 560 832	6 063 277 397
Total Net Assets		**6 226 622 444**	**6 070 339 009**

STEVE TSHWETE LOCAL MUNICIPALITY
Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

	Note(s)	2014 R	2013 R
Revenue			
Revenue from exchange transactions			
Service charges	25	626 611 035	555 194 862
Rental of facilities and equipment		29 792 983	14 355 983
Interest received - receivables	26	2 050 542	1 803 908
Income from agency services		14 574 227	11 309 434
Licences and permits		8 541 415	7 274 597
Other income	27	83 727 851	67 224 176
Interest received - investment	26	22 475 654	20 894 052
Gains on disposal of assets		80 275	57 740
Total revenue from exchange transactions		**787 853 982**	**678 114 752**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	28	264 425 808	230 303 644
Transfer revenue			
Government grants and subsidies	29	180 279 147	141 939 798
Public contributions and donations		50 188 570	27 295 431
Fines		14 349 255	16 472 716
Total revenue from non-exchange transactions		**509 242 780**	**416 011 589**
		787 853 982	678 114 752
		509 242 780	416 011 589
Total revenue		**1 297 096 762**	**1 094 126 341**
Expenditure			
Employee related costs	31	(308 716 534)	(289 071 174)
Remuneration of councillors	32	(17 087 586)	(15 502 253)
Depreciation and amortisation	33	(145 546 992)	(152 217 954)
Impairment loss	34	(7 100 674)	(29 401 725)
Finance costs	35	(10 969 998)	(12 170 010)
Debt impairment	36	(11 448 625)	(14 565 769)
Collection costs		(248 954)	(229 298)
Repairs and maintenance		(49 666 195)	(51 431 252)
Bulk purchases	37	(296 646 672)	(288 735 083)
Contracted services	38	(28 554 441)	(22 696 084)
Grants and subsidies paid	39	(57 517 288)	(49 878 154)
Contributions to provisions		(16 336 673)	(857 828)
Loss on disposal of assets		(2 586 869)	(15 339 308)
General expenses	40	(188 369 254)	(121 346 563)
Total expenditure		**(1 140 796 755)**	**(1 063 442 455)**
		-	-
Total revenue		1 297 096 762	1 094 126 341
Total expenditure		(1 140 796 755)	(1 063 442 455)
Operating surplus		**156 300 007**	**30 683 886**
Surplus before taxation		156 300 007	30 683 886
Taxation		-	-
Surplus for the year		**156 300 007**	**30 683 886**
Attributable to:			
Surplus (deficit) for the year		156 300 007	30 683 886

STEVE TSHWETE LOCAL MUNICIPALITY
Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

	Housing development fund R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	7 049 112	6 011 246 366	6 018 295 478
Adjustments			
Correction of errors	-	21 305 274	21 305 274
Balance at 01 July 2012 as restated	**7 049 112**	**6 032 551 640**	**6 039 600 752**
Changes in net assets			
Surplus for the year	-	30 683 886	30 683 886
Other income/expenditure CRR	-	54 371	54 371
Contributions	12 500	(12 500)	-
Total changes	12 500	30 725 757	30 738 257
Balance at 01 July 2013	**7 061 612**	**6 063 260 826**	**6 070 322 438**
Changes in net assets			
Surplus for the year	-	156 300 006	156 300 006
Transfer of capital surplus to trust capital	-	-	-
Total changes	-	156 300 006	156 300 006
Balance at 30 June 2014	**7 061 612**	**6 219 560 832**	**6 226 622 444**
Note(s)	23		

Cash Flow Statement

	Note(s)	2014 R	2013 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 036 293 839	926 548 526
Grants		182 116 244	132 741 981
Interest income		24 526 196	22 697 960
		1 242 936 279	1 081 988 467
Payments			
Employee costs		(327 422 440)	(305 724 181)
Finance costs		(10 938 259)	(12 130 209)
Suppliers		(549 116 345)	(479 918 437)
Grants paid		(57 517 288)	(49 878 154)
		(944 994 332)	(847 650 981)
Total receipts		1 242 936 279	1 081 988 467
Total payments		(944 994 332)	(847 650 981)
Net cash flows from operating activities	42	**297 941 947**	**234 337 486**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(257 822 061)	(200 290 398)
Proceeds/(loss) from sale of property, plant and equipment	12	91 306	224 048
Purchase of other intangible assets	13	(1 921 631)	(1 045 078)
Proceeds from sale of financial assets		130 458	3 340 125
Purchase of investments		(2 000 000)	(24 000 000)
Net cash flows from investing activities		**(261 521 928)**	**(221 771 303)**
Cash flows from financing activities			
Increase / (Decrease) of long term liabilities		(11 699 116)	(13 243 466)
Finance lease payments		238 180	(366 549)
Net cash flows from financing activities		**(11 460 936)**	**(13 610 015)**
Net increase/(decrease) in cash and cash equivalents		**24 959 083**	**(1 043 832)**
Cash and cash equivalents at the beginning of the year		57 395 683	58 439 515
Cash and cash equivalents at the end of the year	3	**82 354 766**	**57 395 683**

Appropriation Statement

	Original Budget 2014	Budget Adjustments 2014	Final Budget 2014	Actual Outcome 2014	Variance 2014	Unauthorized Expenditure	Actual Outcome as % of Final Budget 2014	Actual Outcome as % of Original Budget 2014
	R	R	R	R	R		%	%
REVENUE								
Property Rates	257 316 829	4 275 225	261 592 054	264 425 808	2 833 754		101.08%	102.76%
Service charges: Electricity	451 005 322	(387 647)	450 617 675	449 191 695	(1 425 980)		99.68%	99.60%
Refuse Removal	60 180 646	700 000	60 880 646	61 033 051	152 405		100.25%	101.42%
Sewerage	59 192 678	(36 111)	59 156 567	59 951 728	795 161		101.34%	101.28%
Water	64 213 269	(4 142 238)	60 071 031	56 434 561	(3 636 470)		93.95%	87.89%
Rental of facilities and equipment	33 484 211	(133 116)	33 351 095	29 792 983	(3 558 112)		89.33%	88.98%
Interest earned - external investments	23 327 500	(3 000 000)	20 327 500	22 475 654	2 148 154		110.57%	96.35%
Interest earned - outstanding debtors	2 004 438	(114 848)	1 889 590	2 050 541	160 951		108.52%	102.30%
Fines	5 476 250	1 008 950	6 485 200	14 349 255	7 864 055		221.26%	262.03%
Licences and permits	7 022 300	837 400	7 859 700	8 541 416	681 716		108.67%	121.63%
Revenue for agency services	11 711 440	1 350 000	13 061 440	14 574 227	1 512 787		111.58%	124.44%
Government grants and subsidies - Operating	100 259 190	25 255 001	125 514 191	120 038 817	(5 475 374)		95.64%	119.73%
Other revenue	65 791 915	(6 308 674)	59 483 241	83 727 851	24 244 610		140.76%	127.26%
Gain on disposal of property, plant and equipment	150 000	-	150 000	80 275	(69 725)		53.52%	53.52%
Total Revenue	**1 141 135 988**	**19 303 942**	**1 160 439 930**	**1 186 667 862**	**26 227 932**		**102.26%**	**103.99%**
EXPENDITURE								
Employee related costs	326 628 544	3 733 716	330 362 260	308 716 532	(21 645 728)		93.45%	94.52%
Remuneration of Councillors	16 259 105	700 299	16 959 404	17 087 587	128 183		100.76%	105.10%
Bad debts	7 420 850	-	7 420 850	11 448 625	4 027 775		154.28%	154.28%
Collection costs	289 500	-	289 500	248 954	(40 546)		85.99%	85.99%
Depreciation	182 792 886	-	182 792 886	152 647 666	(30 145 220)		83.51%	83.51%
Repairs and maintenance	53 769 239	3 730 420	57 499 659	49 666 196	(7 833 463)		86.38%	92.37%
Interest on external borrowings	27 221 013	-	27 221 013	10 970 000	(16 251 013)		40.30%	40.30%
Bulk purchases: Electricity	318 500 761	(12 262 193)	306 238 568	286 791 143	(19 447 425)		93.65%	90.04%
Water	9 202 010	-	9 202 010	9 855 531	653 521		107.10%	107.10%
Contracted services	32 210 992	1 400 546	33 611 538	28 554 440	(5 057 098)		84.95%	88.65%
Grants and subsidies paid	56 348 073	1 471 313	57 819 386	57 517 288	(302 098)		99.48%	102.07%
General expenses	178 066 786	33 701 244	211 768 030	188 369 254	(23 398 776)		88.95%	105.79%
Loss on disposal of property, plant and equipment	-	-	-	2 586 869	2 586 869			
Contributions to/(transfers from) provisions	1 762 780	(147 000)	1 615 780	16 336 673	14 720 893		1011.07%	926.76%
Total Expenditure	**1 210 472 539**	**32 328 345**	**1 242 800 884**	**1 140 796 758**	**(102 004 126)**		**91.79%**	**94.24%**
SURPLUS/(DEFICIT) FOR THE YEAR	**(69 336 551)**	**(13 024 403)**	**(82 360 954)**	**45 871 104**	**128 232 058**		**-55.70%**	**-66.16%**
Transfers Recognised - Capital	56 725 760	10 951 164	67 676 924	60 240 330	(7 436 594)			
Contributions Recognised - Capital & Contributed assets	32 273 040	1 000 000	33 273 040	50 188 570	16 915 530			
Surplus/(Deficit) after capital transfers & contributions	**19 662 249**	**(1 073 239)**	**18 589 010**	**156 300 004**	**137 710 994**			
Share of surplus/(deficit) of associate								
NET SURPLUS/(DEFICIT) FOR THE YEAR	**19 662 249**	**(1 073 239)**	**18 589 010**	**156 300 004**	**137 710 994**			

Accounting Policies

1. Presentation of Financial Statements

The 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 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.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

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

Impairment testing

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

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 15 - Provisions.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

Effective interest rate

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

Allowance for impairment

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

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 of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired 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). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

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

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	**Average useful life**
Land	Indefinate
Buildings	30 - 100 years
Infrastructure assets	5 - 100 years
Community assets	10 - 100 years
Other property, plant and equipment	2 - 30 years
Housing development fund	30 - 100 years

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

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

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

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

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

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

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

1.5 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 an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the 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 an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the 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 municipality 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 municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality 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.

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

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.
- 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. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

1.6 Intangible assets (continued)

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.

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	3 years

1.7 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 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
Investments	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Long term loans	Financial asset measured at amortised cost

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

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Provisions	Financial liability measured at amortised cost
Trade payables from exchange transactions	Financial liability measured at amortised cost
Unspend conditional grants and receipts	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Long term liabilities	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.7 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

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

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

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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 directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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 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).

1.8 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

1.8 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.9 Inventory

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

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

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

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

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

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

The cost of inventory 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 inventory is assigned using the weighted average cost formula. The same cost formula is used for all inventory having a similar nature and use to the municipality.

When inventory are sold, the carrying amounts of those inventory 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 inventory to net realisable value or current replacement cost and all losses of inventory are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

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

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

1.10 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.11 Impairment of non-cash-generating assets

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.12 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise 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 entity recognise past service cost as an expense in the reporting period in which the plan is amended.

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 entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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 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 financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

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

1.12 Employee benefits (continued)

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 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 entity re-measure 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 [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the 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.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.12 Employee benefits (continued)

Other long term employee benefits

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

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

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

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

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. 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 shall be based on the number of employees expected to accept the offer.

1.13 Provisions and contingencies

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

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

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

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

1.13 Provisions and contingencies (continued)

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

1.13 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

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

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

1.14 Revenue from exchange transactions

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

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

Measurement

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

Sale of goods

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

1.14 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Interest

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

1.15 Revenue from non-exchange transactions

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

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

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

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

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.

1.15 Revenue from non-exchange transactions (continued)

Measurement

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

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

Property rates

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

Resources arising from property rates 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 property rates 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 degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the customer.

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.

Transfers

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.16 Grants in aid

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

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

Accounting Policies

1.17 Investment income

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

1.18 Borrowing costs

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

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

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.10 and 1.11. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

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

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

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

1.19 Offsetting

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

1.20 Comparative figures

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.22 Fruitless and wasteful expenditure

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

1.22 Fruitless and wasteful expenditure (continued)

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

1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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 expenditurer.

All expenditure relating to irregular expenditure is recognised as an expenditure 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 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.25 Value-Added Tax

The municipality applies the payment basis for VAT purposes as per the Value-Added Tax Act. Output tax is payable as and when the purchase consideration are received and input will be claimed as and when payment is made .

1.26 Commitments

Items are classifed as commitments where the municipality commits itself to future transactions that will normaly 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 services;
- where the expenditure has been approved and contracted has been awarded at the reporting date; and
- where disclosure is required by spesific standard of GRAP.

1.27 Budget information

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

Accounting Policies

1.28 Related parties

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

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

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

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

1.29 Events after reporting date

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

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

1.30 Accumulated surplus

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

Notes to the Financial Statements

	2014	2013
	R	R

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

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

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

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

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

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

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

2. New standards and interpretations (continued)

The impact of the is not material.

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

Minor amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

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

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

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

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

The impact of the amendment is not material.

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

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments to be applied retrospectively.

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

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

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

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

All amendments to be applied prospectively.

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

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

The impact of the amendment is not material.

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

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

All amendments to be applied prospectively.

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

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

The impact of the amendment is not material.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

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

All amendments to be applied retrospectively.

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

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

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

IGRAP16: Intangible assets website costs

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

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

2. New standards and interpretations (continued)

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

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

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

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

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

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 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 municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

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

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

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

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

It is unlikely that the standard will have a material impact on the municipality's 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. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

2. New standards and interpretations (continued)

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

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

It is unlikely that the amendment will have a material impact on the municipality's 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. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

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

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

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

GRAP 107: Mergers

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

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

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

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

GRAP 20: Related parties

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

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

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

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

2. New standards and interpretations (continued)

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).

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

The standard elaborates on the definitions and identification of:

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

2. New standards and interpretations (continued)

GRAP32: 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.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

GRAP108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws 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.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP 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 of the Standards of GRAP 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 effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

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

	2014 R	2013 R

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2014	2013
Cash on hand	42 380	42 380
Bank balances	82 312 386	57 353 303
	82 354 766	**57 395 683**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30 2014	June 30 2013	June 30 2012	June 30 2014	June 30 2013	June 30 2012
ABSA BANK (Nelspruit)- Cheque Account 1040-000-077	80 877 105	95 780 173	67 749 028	68 059 552	49 647 860	55 416 830
ABSA BANK (Nelspruit)- Cheque Account 4078-303-563	14 386 659	7 680 443	2 945 985	14 252 833	7 705 443	2 980 305
Total	**95 263 764**	**103 460 616**	**70 695 013**	**82 312 385**	**57 353 303**	**58 397 135**

4. Consumer debtors

	2014	2013
Gross balances		
Rates	26 356 090	29 880 267
Electricity	20 767 275	21 169 148
Water	6 278 017	6 506 300
Sewerage	5 055 133	4 779 217
Refuse	4 591 778	3 978 488
Housing rental	67 139	67 139
VAT, interest and Deposits	7 935 563	9 835 288
	71 050 995	**76 215 847**
Less: Allowance for impairment		
Rates	(9 135 675)	(17 159 069)
Electricity	(7 198 453)	(1 941 616)
Water	(2 176 117)	(2 859 971)
Sewerage	(1 752 235)	(1 671 821)
Refuse	(1 591 624)	(1 362 026)
VAT, interest and Deposits	(2 773 936)	(4 394 228)
	(24 628 040)	**(29 388 731)**
Nett Balances		
Rates	17 220 415	12 721 197
Electricity	13 568 822	19 227 533
Water	4 101 900	3 646 329
Sewerage	3 302 898	3 107 397
Refuse	3 000 154	2 616 463
Housing rental	67 139	67 139
VAT, interest and Deposits	5 161 627	5 441 060
	46 422 955	**46 827 118**

Notes to the Financial Statements

	2014 R	2013 R

4. Consumer debtors (continued)

	2014 R	2013 R
Included in above is receivables from exchange transactions		
Electricity	13 568 822	19 227 533
Water	4 101 900	3 646 329
Sewerage	3 302 898	3 107 397
Refuse	3 000 154	2 616 463
VAT, interest and deposits	5 161 627	5 441 060
Housing rental	67 139	67 139
	29 202 540	**34 105 921**

	2014 R	2013 R
Included in above is receivables from non-exchange transactions (taxes and tansfers)		
Rates	17 220 415	12 721 197
Net balance	**46 422 955**	**46 827 118**

	2014 R	2013 R
Rates		
Current (0 -30 days)	15 629 600	14 029 868
31 - 60 days	1 438 787	1 352 834
61 - 90 days	880 958	973 298
91 - 120 days	724 481	716 414
121 - 150 days	592 792	901 330
> 150 days	7 089 470	11 906 523
	26 356 088	**29 880 267**

	2014 R	2013 R
Electricity		
Current (0 -30 days)	17 875 439	18 075 123
31 - 60 days	760 576	906 276
61 - 90 days	384 331	410 305
91 - 120 days	235 630	244 959
121 - 150 days	98 647	185 213
> 150 days	1 412 651	1 347 269
	20 767 274	**21 169 145**

	2014 R	2013 R
Water		
Current (0 -30 days)	3 197 201	3 103 064
31 - 60 days	406 028	661 757
61 - 90 days	206 461	424 886
91 - 120 days	152 776	168 998
121 - 150 days	150 667	163 085
> 150 days	2 164 883	1 984 508
	6 278 016	**6 506 298**

	2014 R	2013 R
Sewerage		
Current (0 -30 days)	3 112 927	2 851 779
31 - 60 days	315 774	356 153
61 - 90 days	160 562	159 563
91 - 120 days	115 976	112 769
121 - 150 days	91 406	138 891
> 150 days	1 258 516	1 160 061
	5 055 161	**4 779 216**

	2014 R	2013 R

4. Consumer debtors (continued)

Refuse		
Current (0 -30 days)	2 777 742	2 433 543
31 - 60 days	313 529	264 472
61 - 90 days	177 666	151 184
91 - 120 days	133 655	99 493
121 - 150 days	79 337	84 697
> 150 days	1 109 848	945 097
	4 591 777	**3 978 486**

Housing rental		
31 - 60 days	38 807	38 807
61 - 90 days	2 153	2 153
91 - 120 days	1 993	1 993
121 - 150 days	24 187	24 187
	67 140	**67 140**

VAT, interest and deposits		
Current (0 -30 days)	4 427 441	5 556 168
31 - 60 days	366 128	486 392
61 - 90 days	251 755	287 728
91 - 120 days	204 277	223 970
121 - 150 days	177 748	231 913
> 150 days	2 508 215	3 049 114
	7 935 564	**9 835 285**

Summary of debtors by customer classification

Government		
Current (0 -30 days)	1 679 062	1 569 166
31 - 60 days	475 019	876 223
61 - 90 days	180 780	304 973
91 - 120 days	77 462	258 948
121 - 150 days	28 039	125 947
> 150 days	796 708	1 045 590
	3 237 070	4 180 847
Less: Allowance for impairment	(2 204 528)	(2 417 032)
	1 032 542	**1 763 815**

Business		
Current (0 -30 days)	18 244 902	16 749 367
31 - 60 days	1 179 555	1 133 466
61 - 90 days	632 530	778 981
91 - 120 days	454 823	478 631
121 - 150 days	362 227	507 981
> 150 days	4 896 935	10 176 970
	25 770 972	29 825 396
Less: Allowance for impairment	(7 863 947)	(12 691 746)
	17 907 025	**17 133 650**

	2014 R	2013 R

4. Consumer debtors (continued)

Households		
Current (0 -30 days)	27 096 387	27 731 013
31 - 60 days	1 985 025	2 057 002
61 - 90 days	1 250 577	1 325 164
91 - 120 days	1 036 505	831 017
121 - 150 days	824 522	1 095 390
> 150 days	9 849 938	9 170 015
	42 042 954	42 209 601
Less: Allowance for impairment	(14 559 564)	(14 279 952)
	27 483 390	**27 929 649**

Total		
Current (0 -30 days)	47 020 350	46 049 547
31 - 60 days	3 639 600	4 066 692
61 - 90 days	2 063 887	2 409 119
91 - 120 days	1 568 790	1 568 597
121 - 150 days	1 214 785	1 729 318
> 150 days	15 543 583	20 392 574
	71 050 995	76 215 847
Less: Allowance for impairment	(24 628 040)	(29 388 729)
	46 422 955	**46 827 118**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(29 388 730)	(27 522 111)
Contributions to allowance	(1 137 692)	(3 750 282)
Debt impairment written off against allowance	5 898 382	1 883 663
	(24 628 040)	**(29 388 730)**

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

Consumer debtors past due but not impaired

Consumer debtors which are less than 1 months past due are not considered to be impaired. At 30 June 2014 and 2013 all accounts past due were impaired.

Consumer debtors impaired

As of 30 June 2014, consumer debtors of R 42 351 668- (2013: R 68 061 586) were impaired and provided for.

The amount of the provision was R24 628 040 as of 30 June 2014 (2013: R29 388 730).

The ageing of these debtors are as follows:

3 to 6 months	42 351 668	68 061 586

	2014 R	2013 R

5. Receivables from exchange transactions

	2014 R	2013 R
Consumer old debt	1 429 456	1 864 548
Debtor for interest	4 062 387	220 449
Deposits paid	1 054 884	1 039 895
Dumping site levies	215 899	237 150
Insurance	1 172 336	1 059 387
Leases	1 458 303	2 349 785
Main service contribution	5 112 621	2 142 010
Other receivables	448 378	-
Sundry debtors	7 576 798	4 983 924
Twizza electical bulk contribution	-	5 700 000
Less: Allowance for impairment	(6 815 600)	(4 914 514)
	15 715 462	**14 682 634**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2014, and 2013 all accounts past due were impaired.

Trade and other receivables impaired

As of 30 June 2014, trade and other receivables of R10 842 027, (2013: R16 604 328) were impaired and provided for.

The amount of the provision was R (6 815 600) as of 30 June 2014 (2013: R (4 914 514)).

The ageing of these loans is as follows:

	2014 R	2013 R
3 to 6 months	-	126
Over 6 months	6 815 600	4 237 863

Reconciliation of provision for impairment of trade and other receivables

	2014 R	2013 R
Opening balance	4 914 513	3 686 235
Provision for impairment	1 901 087	2 458 969
Amounts written off as uncollectible	-	(1 230 691)
	6 815 600	**4 914 513**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 36). For the year under review no amounts were written off ass uncollectable, (2013: R1 230 691). The amounts are generally written off when there is expectation of recovering additional cash.

6. Receivables from non-exchange transactions

	2014 R	2013 R
Traffic fines	18 788 843	11 034 908
Mpumalanga Department of Health	11 462 100	11 462 100
Less: Allowance for impairment	(16 766 364)	(8 356 518)
	13 484 579	**14 140 490**

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 1 month past due are not considered to be impaired. At 30 June 2014, and 2013 all accounts past due were impaired.

Receivables from non-exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions of R 18 788 843 (2013: R 11 034 908) were impaired and provided for.

Notes to the Financial Statements

	2014 R	2013 R

6. Receivables from non-exchange transactions (continued)

The amount of the provision was R 16 766 364 as of 30 June 2014 (2013: R 8 356 518).

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	8 356 518	-
Provision for impairment	8 409 846	8 356 518
	16 766 364	**8 356 518**

7. Inventory

Consumable stores	15 502 101	13 578 790
RDP houses	22 566 526	-
Land	120 042 494	44 688 586
Water	312 839	285 014
	158 423 960	**58 552 390**

Stock shortages written off during the year	(416 436)	(221 633)
Stock surpluses for the year	46 790	99 604
Net stock result	**(369 646)**	**(122 029)**

8. Investments

Short term fixed deposits		
ABSA bank	36 000 000	72 000 000
First National bank	36 000 000	72 000 000
Investec bank	116 000 000	72 000 000
Nedbank	66 000 000	72 000 000
Standard bank	96 000 000	60 000 000
	350 000 000	**348 000 000**

Financial assets at amortised cost	350 000 000	348 000 000

9. Deferred leases

Opening Balance	3 526 200	3 111 635
Movement for the year	(143 093)	414 565
	3 383 107	**3 526 200**

Minimum lease income due		
- within one year	11 822 558	11 468 463
- second to fifth year	19 107 073	30 230 918
- after 5 years	9 048	26 667
	30 938 679	**41 726 048**

Operating leases escalate only with CPI or 5% to 15%.

Included in the operating lease revenue are the following significant contracts:

	2014 R	2013 R

9. New standards and interpretations (continued)

1. Shanduka Coal -Lease of farms in Middelburg.
   The contract expires on 28 February 2017.

Actual income levied 2013/2014	R 11 334 447
Expected levy income 2013/2014	R 11 912 504
Annual straight lining	R 11 188 259
Escalation	CPI

2. Pole Add SA (Pty) - Manufacture, erect, maintain street identification signs incorporating with advertisement.
   The contract expires on 30 September 2016.

Actual income levied 2012/2032	R 96 1015
Expected levy income 2013/2014	R 100 906
Annual straight lining	R 86 938
Escalation	5%

3. MTN (Pty) Ltd - Rental of Stand 908 Hendrina for base tranceiver sites.
   The contract expires on 31 October 2015..

Actual income levied 2012/2013	R 38 836
Expected levy income 2013/2014	R 35 027
Annual straight lining	R 24 513
Escalation	10%

10. VAT

	2014 R	2013 R
VAT receivable	3 181 850	2 079 427

The municipality is registered for VAT on the payment basis.

11. Long term loans

	2014 R	2013 R
At amortised cost		
Sale of erven Loans were given at a low interest rate of 7.5% per annum to encourage development through the sale of vacant erven. In terms of the MFMA no new loans are granted. The remaining repayment terms vary from 1 years 5 for the different contracts	286 884	417 342
	-	-
	-	-
	286 884	417 342
Non-current assets		
At amortised cost	84 088	120 097
Current assets		
At amortised cost	202 796	297 245
Non-current assets	84 088	120 097
Current assets	202 796	297 245
	286 884	**417 342**

Notes to the Financial Statements

Figures in Rand

12. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 530 462 413	-	2 530 462 413	2 567 875 997	-	2 567 875 997
Buildings	296 324 333	(95 105 028)	201 219 305	275 233 459	(89 063 948)	186 169 511
Infrastructure	5 090 152 079	(2 465 398 499)	2 624 753 580	4 908 741 385	(2 360 702 155)	2 548 039 230
Community	721 468 222	(210 417 490)	511 050 732	707 980 135	(194 553 612)	513 426 523
Other property plant & equipment	238 021 491	(135 075 733)	102 945 758	224 587 660	(123 411 435)	101 176 225
Housing development fund	6 742 664	(4 680 800)	2 061 864	6 742 664	(4 492 895)	2 249 769
Total	**8 883 171 202**	**(2 910 677 550)**	**5 972 493 652**	**8 691 161 300**	**(2 772 224 045)**	**5 918 937 255**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	2 567 875 997	65 846 746	-	(103 260 330)	-	-	2 530 462 413
Buildings	186 169 511	21 090 873	-	-	(5 977 269)	(63 810)	201 219 305
Infrastructure	2 548 039 230	183 153 325	(1 555 455)	-	(101 151 101)	(3 732 419)	2 624 753 580
Community	513 426 523	13 655 419	(119 879)	-	(15 649 852)	(261 479)	511 050 732
Other property, plant and equipment	101 176 225	24 264 267	(827 132)	-	(21 616 363)	(51 238)	102 945 759
Housing development fund	2 249 769	-	-	-	(162 524)	(25 382)	2 061 863
	5 918 937 255	**308 010 630**	**(2 502 466)**	**(103 260 330)**	**(144 557 109)**	**(4 134 328)**	**5 972 493 652**

Notes to the Financial Statements

Figures in Rand

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Correction of errors (Note 37)	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	2 572 805 054	2 853 384	666 254	(8 468 447)	19 752	-	-	2 567 875 997
Buildings	172 532 194	21 661 721	(833 961)	(238 835)	-	(6 849 612)	(101 996)	186 169 511
Infrastructure	2 494 176 558	160 695 936	-	-	(19 743)	(106 813 521)	-	2 548 039 230
Community	512 518 546	19 417 855	(267 000)	(961 935)	(253 765)	(16 470 017)	(557 161)	513 426 523
Other property, plant and equipment	98 787 769	22 557 676	278 001	(231 814)	254 844	(20 470 251)	-	101 176 225
Housing development fund	2 490 937	-	-	-	-	(241 168)	-	2 249 769
	5 853 311 058	**227 186 572**	**(156 706)**	**(9 901 031)**	**1 088**	**(150 844 569)**	**(659 157)**	**5 918 937 255**

Assets subject to finance lease (Net carrying amount)

Other property, plant and equipment	1 369 998	1 153 584

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)

Property, plant and equipment	104 199 025	8 406 961

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	67 751 150	8 820 242	23 720 119	100 291 511
Additions/capital expenditure	26 432 893	3 615 973	782 364	30 831 230
Transferred to completed items	(7 521 458)	(3 649 801)	(22 375 962)	(33 547 221)
	86 662 585	**8 786 414**	**2 126 521**	**97 575 520**

12. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	55 916 784	6 486 395	6 992 476	69 395 655
Additions/capital expenditure	27 614 358	4 288 405	20 628 867	52 531 630
Transferred to completed items	(15 779 992)	(1 954 558)	(3 901 224)	(21 635 774)
	67 751 150	**8 820 242**	**23 720 119**	**100 291 511**

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.

13. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	15 435 383	(12 603 369)	2 832 014	14 548 570	(12 550 707)	1 997 863

Notes to the Financial Statements

	2014 R	2013 R

13. Intangible assets (continued)

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	1 997 863	1 921 631	(95 434)	(992 046)	2 832 014

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	1 771 295	1 045 078	(818 510)	1 997 863

14. Consumer deposits

	2014	2013
Electricity and water	52 607 145	48 895 961
Sundry	12 322 977	9 661 510
	64 930 122	**58 557 471**

No interest is paid on deposits.

Guarantees held in lieu of electricity and water deposits	6 950 292	3 652 353

15. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Contribution to provision	Expenditure incurred	Reversed during the year	Total
Church erven	451 756	134 110	(319 077)	-	266 789
Landfill rehabilitation	-	5 966 069	-	-	5 966 069
Performance bonus	6 053 913	1 333 209	(1 106 998)	258 780	6 538 904
	6 505 669	**7 433 388**	**(1 426 075)**	**258 780**	**12 771 762**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Transfer to current provisions	Total
Church erven	494 036	(42 280)	-	-	451 756
Landfill rehabilitation	602 000	-	-	(602 000)	-
Performance bonus	5 500 338	2 052 884	(1 155 028)	(344 281)	6 053 913
	6 596 374	**2 010 604**	**(1 155 028)**	**(946 281)**	**6 505 669**

	2014	2013
Non-current liabilities	6 083 929	309 287
Current liabilities	6 687 833	6 196 382
	12 771 762	**6 505 669**

The landfill rehabilitation is created for the rehabilitation of the current operational sites which is evaluated at each year end to reflect the best estimate at reporting date. The landfill rehabilitation costs is contracted out thus no current obligation.

Notes to the Financial Statements

	2014 R	2013 R

15. Provisions (continued)

The provision is to provide for performance bonuses of the section 57 employees and other senior managers where applicable. The provision is calculated at 14% of the total renumeration in terms of the performance agreements at reporting date which is usually paid within one year.

The provision on churh erven is for the obligation which the municipality have to pay 25% of the purchase price back to the church once the property is fully developed, which is evaluated at the end of each year to reflect the best estimate at reporting date.

16. Trade payables from exchange transactions

	2014 R	2013 R
Trade payables	78 298 474	68 909 015
Sundry debtors paid in advance	1 258 763	349 305
Staff leave	21 144 418	21 179 524
Retention	26 910 138	18 801 402
Retail pre-paid sales in advance	1 478 006	1 839 396
Pre-paid sales recieved in advance	3 112 424	2 778 936
Other payables	1 263 259	2 333 172
Impounded vehicles	-	235 610
Consumer debtors paid in advance	9 797 308	7 950 897
	143 262 790	**124 377 257**

17. Trade payables from non-exchange transactions

	2014 R	2013 R
Housing accreditation grant	1 750 950	-
Other government grants	214 409	248 585
Payable to National Treasury	802 229	2 404 549
RDP development subsidy	139 415	139 415
	2 907 003	**2 792 549**

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2014 R	2013 R
Unspent conditional grants and receipts		
Energy efficiency demand side management grant (EEDSM)	4 641 315	-
Finance management grant (FMG)	-	1 648 907
Housing accreditation grant	-	1 803 375
Municipal infrastructure grant (MIG)	2 049 300	-
Municipal systems improvement grant (MSIG)	-	300 000
Neighbourhood development partnership grant (NDPG)	-	3 149 164
RDP housing construction grant	1 933 474	-
	8 624 089	**6 901 446**

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

See note 23 for reconciliation of grants from National/Provincial Government.

19. Other financial liabilities

	2014 R	2013 R
At amortised cost		
Annuity loans	101 792 261	113 491 377
See Appendix A for more detail.		

Notes to the Financial Statements

	2014 R	2013 R

19. Other financial liabilities (continued)

Non-current liabilities		
Annuity loans	88 839 531	101 797 958
Current liabilities		
Current portion transferred to current liabilities	12 952 730	11 693 419

20. Finance lease obligation

Minimum lease payments due		
- within one year	250 137	177 538
- in second to fifth year inclusive	330 949	59 373
	581 086	236 911
Less: Future finance charges	(83 328)	(9 072)
Present value of minimum lease payments	**497 758**	**227 839**
Present value of minimum lease payments due		
- within one year	216 590	163 428
- in second to fifth year inclusive	281 168	64 411
	497 758	**227 839**
Non-current liabilities	281 168	64 411
Current liabilities	216 590	163 428
	497 758	**227 839**

It is municipality policy to lease certain photo copiers under finance leases.

The average lease term vary between 3 and 5 years with the interest rate between 9 and 15%.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

21. Employee benefit obligations

Defined benefit plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

In-service members are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality by ZAQ Consultants and Actuaries.

Notes to the Financial Statements

	2014 R	2013 R

21. Employee benefit obligations (continued)

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

	2014 R	2013 R
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(70 425 000)	(69 623 708)
Non-current liabilities	(67 713 000)	(67 494 822)
Current liabilities	(2 712 000)	(2 128 886)
	(70 425 000)	**(69 623 708)**

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

	2014 R	2013 R
Opening balance	69 623 708	74 925 000
Benefits paid	(7 394 688)	(1 026 000)
Net expense recognised in the statement of financial performance	8 195 980	(4 275 292)
	70 425 000	**69 623 708**

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

	2014 R	2013 R
Current service cost	4 401 114	4 345 000
Interest cost	6 083 866	6 131 000
Actuarial (gains) losses	(2 289 000)	(14 751 292)
	8 195 980	**(4 275 292)**

Key assumptions used

Assumptions used at the reporting date:

	2014	2013
Discount rates used	9,00 %	8,87 %
Consumer inflation	7,00 %	6,25 %
Medical aid inflation	8,19 %	7,75 %
Net effective discount rate	- %	1,04 %
	- %	- %

Other assumptions

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

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost	6 905 000	6 074 000
Effect on defined benefit obligation	74 616 000	65 787 000

Amounts for the current and previous four years are as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Defined benefit obligation	70 425 000	69 623 708	74 925 000	69 812 000	58 807 000

	2014 R	2013 R

21. Employee benefit obligations (continued)

Defined contribution plan

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

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

22. Long service award

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by ZAQEN Consultants and Actuaries as at 30 June 2014.

	2014	2013
Accrued liability		
Opening balance	13 740 077	12 376 871
Current service cost	1 448 641	1 255 748
Interest cost	974 639	834 072
Benefits vested	(1 260 000)	(1 257 107)
Actuarial loss / (gain)	1 842 643	530 493
	16 746 000	**13 740 077**

	2014	2013
Non-current liabilities	14 929 999	12 603 378
Current liability	1 816 001	1 136 699
	16 746 000	**13 740 077**

	2014	2013
Main assumptions		
Discount rate	8.02%	7.39%
Normal salary increase rate	7.37%	6.83%

23. Housing development fund

	2014	2013
Balance at beginning of the year	7 049 112	7 049 112
Transfer to housing development fund	-	12 500
	7 049 112	**7 061 612**

24. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At amortised cost	Total
Cash and cash equivalents	82 354 766	82 354 766
Consumer debtors	46 422 955	46 422 955
Receivables from exchange transactions	15 715 462	15 715 462
Receivables from non-exchange transactions	13 484 579	13 484 579
Investments	350 000 000	350 000 000
Long term loans	286 884	286 884
	508 264 646	**508 264 646**

Financial liabilities

	2014 R	2013 R

. Financial instruments disclosure (continued)

	At amortised cost	Total
Consumer deposits	64 930 112	64 930 112
Provisions	12 771 762	12 771 762
Trade payables from exchange transactions	143 262 790	143 262 790
Trade payables from non-exchange transactions	2 907 003	2 907 003
Long term liabilities	101 792 261	101 792 261
Finance lease obligation	497 758	497 758
	326 161 686	**326 161 686**

2013

Financial assets

	At amortised cost	Total
Cash and cash equivalents	57 395 683	57 395 683
Consumer debtors	46 827 118	46 827 118
Receivables from exchange transactions	14 682 634	14 682 634
Receivables from non-exchange transactions	14 140 490	14 140 490
Investments	348 000 000	348 000 000
Long term loans	2 199 524	2 199 524
	483 245 449	**483 245 449**

Financial liabilities

	At amortised cost	Total
Consumer debtors	58 557 471	58 557 471
Provisions	6 505 669	6 505 669
Trade payables from exchange transactions	124 377 257	124 377 257
Trade payables from non-exchange transactions	2 972 549	2 972 549
Long term liabilities	113 491 377	113 491 377
Finance lease obligation	227 839 000	227 839 000
	533 743 323	**533 743 323**

25. Service charges

Sale of electricity	449 191 695	393 197 587
Sale of water	56 434 561	56 617 772
Sewerage charges	59 951 728	53 853 246
Refuse removal	61 033 051	51 526 257
	626 611 035	**555 194 862**

Notes to the Financial Statements

	2014 R	2013 R
26. Interest earned		
Interest - investments		
Current account	5 889 171	7 789 813
External investments	16 586 483	13 104 239
	22 475 654	**20 894 052**
	-	-
	22 475 654	20 894 052
Interest - receivables		
Sundry debtors	255 975	122 199
Sale of erven	-	602
Services	718 933	722 721
Property rates	1 075 633	958 387
	2 050 541	**1 803 909**

27. Other income

	2014 R	2013 R
Admin fee	2 685 677	2 607 082
Building plan fees	1 446 260	1 641 485
Community service fees	898 764	955 521
Connection fees	5 411 095	6 600 835
Dumping site fees	1 083 675	1 027 309
Entrance fees	27 612	24 911
Insurance claims	2 395 587	2 429 939
Internal fees	40 385	322 587
Main service contribution	8 711 926	16 195 862
Option fees	246 593	234 645
Refund skills development	604 761	1 367 126
Sale of erven	58 152 028	32 194 287
Sundry fees	2 023 488	1 622 587
	83 727 851	**67 224 176**

28. Property rates

Rates received

	2014 R	2013 R
Residential	142 160 110	123 905 485
Commercial	107 133 342	92 756 762
Government	14 528 271	13 260 244
Privately owned towns	604 085	381 153
	264 425 808	**230 303 644**

Valuations

	2014 R	2013 R
Residential	18 378 050	16 636 141 000
Commercial	1 050 372 000	917 729 000
Government	4 746 588 500	3 822 924 200
Privately owned towns	64 780 000	47 192 000
	5 880 118 550	**21 423 986 200**

Valuations on land and buildings are performed every 4 years. The current general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.011 (2013: R0.011) is applied to property valuations to determine assessment rates.

	2014 R	2013 R

29. Government grants and subsidies

Operating grants		
Equitable share	92 630 001	85 818 001
Finance management grant (FMG)	1 956 791	862 881
Municipal accreditation capacity grant (MACEF)	22 566 526	18 147
Municipal infrastructure grant (MIG)	1 610 298	1 822 802
Municipal systems improvement grant (MSIG)	104 147	458 250
Provincial health subsidies	-	2 400 000
Expanded public works programme (EPWP)	1 136 678	-
	120 004 441	91 380 081
Capital grants		
Energy efficient demand site management (EEDSM)	5 961 387	397 589
Expanded public works programme (EPWP)	485 126	627 023
Finance management grant (FMG)	122 016	-
Integrated national electrification grant (INEG)	358 385	-
Municipal accreditation grant	-	178 478
Municipal infrastructure grant (MIG)	37 547 897	36 527 513
Municipal systems improvement grant (MSIG)	929 071	292 402
Neighbourhood development partnership grant	14 784 222	12 536 712
	60 188 104	50 559 816
	180 192 545	**141 939 798**

Equitable Share

This grant is an unconditionally grant and is partially utilised for the provision of indigent support through free basic services. Registered indigents receive a rebate of 100% on assessment rates and a monthly subsidy of R454 (2013: R267) on the cost of other services which are funded from this grant.

Finance management grant (FMG)

Balance unspent at beginning of year	1 648 907	1 011 788
Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(2 078 807)	(862 881)
Repaid to National Treasury	(948 907)	-
Recovered by National Treasury	(132 001)	-
Payable to National Treasury (see note 17)	(39 192)	-
Unspent amount transferred to liabilities	**-**	**1 648 907**

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Municipal systems improvement grant (MSIG)

Balance unspent at beginning of year	300 000	342 021
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(1 033 218)	(750 652)
Payable to National Treasury (see note 17)	(156 782)	(91 369)
Unspent amount transferred to liabilities	**-**	**300 000**

Conditions still to be met - remain liabilities (see note 18)

This grant was used to build in-house capacity to perform their functions and stabilise institutional and governance systems. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Municipal infrastructure grant (MIG)

	2014 R	2013 R

29. Government grants and subsidies (continued)

Balance unspent at beginning of year	125 751	174 949
Current-year receipts	41 756 000	37 552 000
Conditions met - transferred to revenue	(39 158 196)	(37 601 198)
Repaid to National Treasury	(125 751)	-
Payable to National Treasury (see note 17)	(548 504)	-
Unspent amount transferred to liabilities	**2 049 300**	**125 751**

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld.

Integrated national electrification grant (INEP)

Balance unspent at beginning of year	2 102 481	70
Current-year receipts	6 000 000	2 500 000
Conditions met - transferred to revenue	(5 961 387)	(397 589)
Repaid to National Treasury	(2 102 481)	-
Papyable to National Treasury (see note 17)	(38 613)	-
	-	**2 102 481**

This grant was used to address the electrification backlog of permanently occupied residential dwellings. The conditions of the grant were met and no funds have been withheld.

Provincial health subsidy

Balance unspent / (due) at beginning of year	(11 462 100)	(9 062 100)
Conditions met - transferred to revenue	-	(2 400 000)
Transferred to Recievables from non-exchange (see note 6)	11 462 100	-
Unspent amount transferred to liabilities	**-**	**(11 462 100)**

The primary healthcare services was transferred to the Mpumalanga provincial government on 1 August 2013. This subsidy has been used exclusively to fund primary healthcare services. The conditions of this subsidy has been met, but the subsidy has not been received yet.

Neighbourhood development partnership grant

Balance unspent at beginning of year	3 149 164	11 685 876
Current-year receipts	11 637 000	4 000 000
Conditions met - transferred to revenue	(14 784 222)	(12 536 712)
Payable to National Treasury (see note 17)	(1 942)	-
	-	**3 149 164**

Conditions still to be met - remain liabilities (see note 18)

This grant is given to municipalities to provide them with capital subsidies for property development in townships and new residential neighbourhoods that include the construction or upgrading of community facilities, and where appropriate, to attract private sector funding and input. Other than the unspent amount, the conditions of the grant was met and no funds had been withheld.

Expanded oublic works programme (EPWP)

	2014 R	2013 R

29. Government grants and subsidies (continued)

Balance unspent / (due) at beginning of year	84 948	(184 913)
Current-year receipts	1 639 000	1 646 000
Conditions met - transferred to revenue	(1 621 803)	(1 561 052)
Repaid to National Treasury	(84 948)	-
Payable to National Treasury (see note 17)	(17 197)	184 913
	-	**84 948**

Conditions still to be met - remain liabilities (see note 18)

The Expanded Public Works Program is a special performance-based incentive provided to provinces and municipalities that contribute to the employment creation efforts of the expanded public works program through the employment of previously unemployed people.

Energy efficiency demand side management (EEDSM)

Current-year receipts	4 999 700	-
Conditions met - transferred to revenue	(358 385)	-
	4 641 315	**-**

Conditions still to be met - remain liabilities (see note 18).

The Energy Efficiency Demand Side Management fund is provided to enhance energy saving within the municipality's area of jurisdiction.

RDP Housing

Current-year receipts	24 500 000	-
Conditions met - transferred to revenue	(22 566 526)	-
	1 933 474	**-**

Conditions still to be met - remain liabilities (see note 18).

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

30. Public contributions and donations

Eskom	2 697 053	-
Nkangala District Municipality	39 474 477	25 912 990
Optimum Coal	8 017 040	1 382 441
	50 188 570	**27 295 431**

Major Classes		
Buildings	2 697 053	-
Community assets - park	599 927	-
Community assets - vegetable tunnel	6 631 319	-
Infrastructure - roads	5 431 637	1 667 994
Infrastructure - water	29 078 008	17 605 318
Infrastructure - sewerage	-	5 125 790
Intangible assets - arial photographs	1 392 640	-
Other assets	4 357 986	2 896 328
	50 188 570	**27 295 430**

No conditions or restriction attached. The assets were fully capitalised on 30 June 2014.

Notes to the Financial Statements

	2014 R	2013 R

31. Employee related costs

Salaries	203 227 930	192 776 363
Medical aid	14 784 078	13 725 100
Unemployment insurance fund	1 965 043	1 814 917
Workmen's compensation	1 837 428	1 819 419
Post-employment benefits - Pension fund contributions	35 827 279	34 042 251
Overtime payments	47 942 520	41 740 859
Housing allowances	1 565 377	1 733 989
Group insurance	1 064 376	987 161
Cellphone Allowances	502 503	431 115
	308 716 534	**289 071 174**

Remuneration of Municipal Manager: WD Fouche

Basic salary	983 868	907 850
Travel	111 516	171 600
Contributions to UIF, Medical and Pension Funds	171 600	106 200
Cellphone allowance	33 336	31 200
Other	4 537	4 468
	1 304 857	**1 221 318**

Appointed from 1 February 2012.

Executive Manager Finance: E Wasserman

Basic salary	841 803	779 951
Travel	108 000	108 000
Contributions to UIF, Medical and Pension Funds	59 744	56 740
Cellphone allowance	19 236	20 400
Other	4 588	4 518
	1 033 371	**969 609**

Appointed from 1 March 2013.

Deputy Municipal Manager: SM Mnguni

Basic salary	915 379	282 703
Travel	132 000	7 359
Contributions to UIF, Medical and Pension Funds	23 588	-
Cellphone allowance	19 236	6 000
Other	4 449	1 460
	1 094 652	**297 522**

Executive Manager Corporate Services: T Mekuto

Annual Remuneration	770 660	711 867
Travel	120 000	120 000
Contributions to UIF, Medical and Pension Funds	118 989	112 924
Cellphone allowance	19 236	18 000
Other	4 486	4 417
	1 033 371	**967 208**

Executive Manager Public Services: MC Hlatshwayo

	2014 R	2013 R

31. Employee related costs (continued)

Basic salary	865 691	265 937
Travel	120 000	40 000
Contributions to UIF, Medical and Pension Funds	23 931	7 420
Cellphone allowance	19 236	6 000
Other	4 513	1 472
	1 033 371	**320 829**

Terminated 31 October 2014

	2014 R	2013 R

31. Employee related costs (continued)

Executive Manager Technical Facilities: E Warambwa

Basic salary	279 407	774 923
Travel	40 000	120 000
Contributions to UIF, Medical and Pension Funds	17 109	49 770
Cellphone allowance	6 412	18 000
Other	1 529	4 516
	344 457	**967 209**

The municipality had 1290 permanent employees at reporting date.

32. Remuneration of councillors

Councillors	17 087 586	10 473 462
Executive Major	-	673 748
Mayoral Committee Members	-	3 277 125
Speaker	-	553 894
Chief Whip	-	524 024
	17 087 586	**15 502 253**

Councillors remuneration is made up of the following:

Councillors renumeration	-	-

The municipality have 9 fulltime councillors and 49 part time councillors.

33. Depreciation and amortisation

Property, plant and equipment	145 546 992	152 217 954

34. Impairment of assets

Impairments		
Property, plant and equipment Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]	4 583 634	659 157
Inventories Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]	2 517 040	28 742 568
	7 100 674	**29 401 725**
	7 100 674	29 401 725
	-	-

[Disclose the following information for the aggregate impairment losses and the aggregate reversals of impairment losses recognised during the period for which no information has otherwise been disclosed:]

The main classes of assets affected by impairment losses are:

The main classes of assets affected by reversals of impairment losses are:

Notes to the Financial Statements

	2014 R	2013 R

35. Finance costs

Annuity loan	10 938 259	12 130 209
Lease liability	31 739	39 801
	10 969 998	**12 170 010**

Total interest expenses are calculated using the effective interest rate on borrowings. The interest rate vary between 9% and 13%.

36. Debt impairment

Contributions to debt impairment provision	11 448 625	14 565 769

37. Bulk purchases

Electricity	286 791 141	279 936 421
Water	9 855 531	8 798 662
	296 646 672	**288 735 083**
Percentage Electricity losses	- %	6,73 %
Percentage Water losses	- %	22,22 %

38. Contracted services

Information Technology Services	8 759 180	6 255 623
Fleet Services	132 110	88 385
Specialist Services	2 827 439	-
Other Contractors	16 835 712	16 352 076
	28 554 441	**22 696 084**

39. Grants and subsidies paid

Grants and subsidies paid		
Group co ID 1	250 000	220 000
Group co ID 4	475 000	375 000
Group co ID 5	27 000	25 000
Arts and Culture	-	500 000
Group co ID 9	230 000	200 000
Group co ID 10	63 000	4 850
Group co ID 11	53 794 301	45 132 262
Group co ID 12	2 677 987	3 421 042
	57 517 288	**49 878 154**

Notes to the Financial Statements

	2014 R	2013 R

40. General expenses

	2014 R	2013 R
Advertising	3 569 648	3 667 778
Audit fees	4 657 795	3 508 186
Bank charges	2 216 896	1 687 833
Consulting and professional fees	4 010 716	3 682 523
Insurance	5 880 460	6 213 216
IT expenses	600	-
Rental fees	15 541 708	758 131
Horticulture	259 632	-
Levies	30 482 657	-
Magazines, books and periodicals	1 813	-
Medical expenses	109 442	-
Postage and courier	1 793 675	1 871 135
Staff welfare	90 000	65 000
Communications	3 713 685	4 303 927
Transportation	2 293 467	1 900 740
Training	163 554	37 296
Travel and accomodation	15 793 473	15 608 386
Assets expensed	407 237	-
Expense 1	14 593 494	17 596 573
Materials and supplies	29 657 149	28 072 710
Skills development and training	6 413 805	5 485 171
Connection fees	16 021 917	6 082 661
Legal fees	2 834 832	3 670 730
Expense 10	24 869 621	15 124 349
Licensing fees	2 991 978	2 010 218
	188 369 254	**121 346 563**

41. Auditors' remuneration

	2014 R	2013 R
Fees	4 657 795	3 508 186

Notes to the Financial Statements

	2014 R	2013 R

42. Cash generated from operations

Surplus	156 300 006	30 683 886
Adjustments for:		
Depreciation and amortisation	145 546 992	152 217 954
Gain on sale of assets and liabilities	2 506 594	15 281 568
Finance costs - finance leases	31 739	39 801
Impairment	7 100 674	29 401 725
Debt impairment	11 448 625	14 565 769
Movements in operating lease assets and accruals	143 093	(414 566)
Movements in long service award liability	(1 618 320)	(1 150 754)
Constributions to provisions	16 336 673	857 828
Other non-cash items	(14 404)	54 371
Public contributions	(50 188 570)	(27 295 431)
Changes in working capital:		
Inventory	422 416	11 669 349
Consumer receivables	(733 529)	(7 569 899)
Receivables from non-exchange transactions	602 582	(20 904 201)
Investments	(11 290 432)	16 832 293
Provisions	300 024	361 988
Consumer deposits	6 372 651	19 129 525
Creditors	13 940 458	4 518 044
VAT	(1 102 423)	5 256 047
Payables from non-exchange transactions	114 455	(18 845 623)
Unspent conditional grants and receipts	1 722 643	(7 313 188)
	297 941 947	**217 376 486**

43. Risk management

Capital risk management

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

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 19, cash and cash equivalents disclosed in note 3, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

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

Liquidity risk

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

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	-	-	-	64 930 122
Trade payables from exchange transactions	93 944 968	1 263 258	26 910 138	21 144 418
Trade payables from non-exchange transactions	2 907 003	-	-	-
Long term liabilities	12 952 730	19 020 212	42 921 432	15 645 581
Finance lease obligation	216 590	2 773	3 778	-

Notes to the Financial Statements

	2014	2013
	R	R

43. Risk management (continued)

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	-	-	-	58 557 471
Trade payables from exchange transactions	82 063 163	2 333 167	18 801 402	21 179 524
Trade paybles from non-exchange transactions	2 792 549	-	-	-
Long term liabilities	11 693 419	21 983 317	52 916 056	26 897 887
Finance lease obligations	163 428	64 411	-	-

Interest rate risk

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

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain all of its borrowings in fixed rate instruments.

Credit risk

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

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

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

Financial instrument	2014	2013
Cash and cash equivalents	82 354 766	57 395 683
Consumer debtors	71 050 995	76 215 847
Receivables from exchange transactions	22 531 062	19 597 148
Receivables from non-exchange transactions	30 250 943	22 497 008
Investments	350 000 000	348 000 000
Long term loans	286 884	417 342

	2014 R	2013 R

53. Supply chain management regulations - Other matters

Paragraph 13(c)(iii) of Government Gazette No. 27636 issued on 30 May 2005 indicates that a supply chain management policy must state that a municipality or municipal entity may not consider a written quotation or bid unless the provider who submitted a quotation or bid has indicated whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

Paragraph 45(a),(b) &(c) of Government Gazette No. 27636 issued on 30 May 2005 states that the notes to the annual financial statements of a municipality or muncipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

Name of supplier and relationship

54. Budget differences

Material differences between budget and actual amounts

The excess of actual expenditure over the final budget of 15% (25% over approved budget) for the Health function was due to expenditures above the level approved by legislative action in response to the earthquake. There were no other material differences between the final budget and the actual amounts.

Changes from the approved budget to the final budget

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

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

55. Prior period errors

1. **Traffic fines impairment**

Previous years no provision for impairment were provided for traffic fine debtors. The prior year has been restated to correct this error

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

	2014 R	2013 R
Adjustments affecting the statement of financial position		
Decrease in Receivables from non-exchange transactions	-	(8 356 518)
Adjustments affecting the statement of financial position		
Increase in Debt impairment	-	8 356 518

2. **Traffic fine debtor**

Previously traffic fine income was incorrectly recognised for on a cash basis. The prior year has been restated to recognise traffic fine income on an accrual basis.

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

	2014 R	2013 R
Adjustments affecting the statement of financial position		
Increase in Receivables from non-exchange transactions	-	11 034 908
Adjustments affecting the statement of financial performance		
Increase in Fines revenue	-	(11 034 908)

	2014 R	2013 R

55. Prior period errors (continued)

3. **Depreciation**

Depreciation was incorrectly calculated in WIP assets and incorrect depreciation on buildings due to error in useful life.

	2014	2013
Adjustments affecting the statement of financial position		
Decrease in Property, plant and equipment	-	(554 876)

	2014	2013
Adjustments affecting the statement of financial performance		
Increase in Depreciation and amortisation	-	554 876

4. **Inventory**

Land, included in inventory, allienated during 2013 finanical year which were not derecognised on the financial system and asset register. Some land were found to have been incorrectly classifed as inventory, this land should be classified as property, plant and equipment.

	2014	2013
Adjustments affecting the statement of financial position		
Decrease in Inventory	-	(6 003 839)
Increase in Property, plant and equipment	-	399 254
	-	**(5 604 585)**

	2014	2013
Adjustments affecting the statement of financial performance		
Increase in Disposal of assets	-	5 604 585

5. **Property,plant and equipment**

Parks alienated in years prior to 2013 which were not derecognised on the financial system and asset register. Instances were identified where only the portion of the land on which the infrastructure assets were situated were take up in the fixed asset register (during the take on processes in 2008) and not the full size of the land.

	2014	2013
Adjustments affecting the statement of financial position		
Increase in Property, plant and equipment	-	21 305 277
Increase in Accumulated surplus	-	(21 305 277)
	-	**-**

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

56. Comparative figures

Certain comparative figures have been reclassified.

The long service award liability has been reclassified from post employement benefits to its own line item on the face of the statement of financial position.

The effects of the reclassification are as follows:

	2014	2013
Statement of financial position		
Decrease in current portion of post employee benefits	-	1 136 699
Increase in current portion of long service award liability	-	(1 136 699)
Decrease in post employment benefits	-	12 603 378
Increase in long service award liability	-	(12 603 378)