MAMUSA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

LEGAL FORM OF ENTITY	Local Municipality
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Service delivery
MAYORAL COMMITTEE	
Mayor	A Motswana
Councillors	RM Lee
	CP Herbst
	OM Stephens
	NG Masilo
	GG Mosebetsi
	SDJ Strydom
	PM Maine
	MY Moyake
	BT Thekiso
	TM Sepato
	JJ Modisapudi
	KM Setshameko
	KM Mere
GRADING OF LOCAL AUTHORITY	Category 3
ACCOUNTING OFFICER	R Gincane Municipal Manager
CHIEF FINANCE OFFICER (CFO)	S Mini
REGISTERED OFFICE	No 2 Schweizer Street Schweizer-Reneke 2780
POSTAL ADDRESS	P O Box 5 Schweizer-Reneke 2780
BANKERS	First National Bank
AUDITORS	Auditor General of South Africa

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

ABBREVIATIONS

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

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

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

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

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

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

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

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

The municipality is wholly dependent on the for continued funding of operations from governmengt. The annual financial statements are prepared on the basis that the municipality is a going concern has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 54, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed on its behalf by:

Accounting Officer

ACCOUNTING OFFICER'S REPORT

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

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

2. GOING CONCERN

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

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

3. SUBSEQUENT EVENTS

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note(s)	2014	2013 Restated*
ASSETS			
CURRENT ASSETS			
Inventories	6	16 364 205	-
Receivables from exchange transactions	7	1 508 765	1 345 896
Receivables from non-exchange transactions	8	739 020	-
VAT receivable	9	-	166 548
Consumer debtors	10	24 180 754	20 363 496
Cash and cash equivalents	11	3 742 781	6 110 778
		46 535 525	**27 986 718**
NON-CURRENT ASSETS			
Investment property	3	15 674 281	14 857 138
PROPERTY, PLANT AND EQUIPMENT	4	248 500 643	247 804 981
Intangible assets	5	427 502	889 651
		264 602 426	**263 551 770**
Non-Current Assets		264 602 426	263 551 770
Current Assets		46 535 525	27 986 718
Total Assets		**311 137 951**	**291 538 488**
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	14	41 278 292	42 522 333
VAT payable	15	2 155 202	-
Consumer deposits	16	722 058	711 407
Unspent conditional grants and receipts	12	25 140 135	16 180 349
Provisions	13	4 951 574	4 477 261
Bank overdraft	11	3 624 070	4 203 522
		77 871 331	**68 094 872**
NON-CURRENT LIABILITIES			
Provisions	13	22 507 387	19 092 801
Non-Current Liabilities		22 507 387	19 092 801
Current Liabilities		77 871 331	68 094 872
Liabilities of disposal groups		-	-
Total Liabilities		**100 378 718**	**87 187 673**
Assets		311 137 951	291 538 488
Liabilities		(100 378 718)	(87 187 673)
Net Assets		**210 759 233**	**204 350 815**
Accumulated surplus		210 759 233	204 350 815

STATEMENT OF FINANCIAL PERFORMANCE

	Note(s)	2014	2013 Restated*
Revenue			
Service charges	19	47 409 522	50 124 220
Licences and permits		2 263 813	2 347 807
Commissions received		75 756	71 565
Discount received		48 320	17 500
Rent income		380 254	157 976
Other income	21	817 562	1 194 381
Interest received		13 124 615	12 886 439
Property rates	18	7 592 874	7 127 070
Government grants & subsidies	20	52 870 032	74 077 705
Fines		41 754	13 289
Total revenue		**124 624 502**	**148 017 952**
Expenditure			
Personnel	23	(43 468 702)	(36 775 238)
Remuneration of councillors	24	(5 022 044)	(3 272 487)
Depreciation and amortisation	27	(12 769 275)	(12 462 535)
Finance costs	28	(268 611)	(190 105)
Debt impairment	25	(28 564 071)	(89 638 650)
Repairs and maintenance		(6 830 989)	(6 044 941)
Bulk purchases	31	(21 609 365)	(23 448 927)
Grants and subsidies paid	30	(58 574)	(242 573)
General Expenses	22	(28 272 545)	(22 092 798)
Total expenditure		**(146 864 176)**	**(194 168 254)**
		-	-
Total revenue		124 624 502	148 017 952
Total expenditure		(146 864 176)	(194 168 254)
Operating deficit		**(22 239 674)**	**(46 150 302)**
Fair value adjustments		817 143	-
Deficit before taxation		(21 422 531)	(46 150 302)
Taxation		-	-
Deficit for the year		**(21 422 531)**	**(46 150 302)**

STATEMENT OF CHANGES IN NET ASSETS

	Accumulated surplus	Total net assets
Opening balance as previously reported	126 216 049	126 216 049
Adjustments		
Correction of errors	(1 850 239)	(1 850 239)
Balance at 01 July 2012 as restated*	**124 365 800**	**124 365 800**
Changes in net assets		
Surplus for the year	(46 150 302)	(46 150 302)
Total changes	(46 150 302)	(46 150 302)
Opening balance as previously reported	78 215 508	78 215 508
Adjustments		
Correction of errors	124 426 873	124 426 873
Restated* Balance at 01 July 2013 as restated*	**232 181 764**	**232 181 764**
Changes in net assets		
Surplus for the year	(21 422 531)	(21 422 531)
Total changes	(21 422 531)	(21 422 531)
Balance at 30 June 2014	**210 759 233**	**210 759 233**

Note(s)

CASH FLOW STATEMENT

	Note(s)	2014	2013 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		58 411 162	67 643 323
Interest income		13 124 615	12 886 439
		71 535 777	80 529 762
Payments			
Employee costs		(43 759 268)	(33 852 454)
Suppliers		(44 124 604)	(17 890 011)
Finance costs		(268 611)	(190 105)
		(88 152 483)	(51 932 570)
Total receipts		71 535 777	80 529 762
Total payments		(88 152 483)	(51 932 570)
Net cash flows from operating activities	32	**(16 616 706)**	**28 597 192**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, plant and equipment	4	(13 905 091)	(23 031 495)
Purchase of other intangible assets	5	-	(1 231 687)
Proceeds from sale of other intangible assets	5	99	-
Net cash flows from investing activities		**(13 904 992)**	**(24 263 182)**
Net increase/(decrease) in cash and cash equivalents		**(30 521 698)**	**4 334 010**
Cash and cash equivalents at the beginning of the year		1 907 256	9 832 086
Cash and cash equivalents at the end of the year	11	**118 711**	**1 907 256**

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 PRESENTATION CURRENCY

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

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

TRADE RECEIVABLES / HELD TO MATURITY INVESTMENTS AND/OR LOANS AND RECEIVABLES

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

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

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 13 - Provisions.

POST RETIREMENT BENEFITS

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 13.

EFFECTIVE INTEREST RATE

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

1.2 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (continued)

ALLOWANCE FOR DOUBTFUL DEBTS

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness.

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

1.3 INVESTMENT PROPERTY

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

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

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

At initial recognition, the economic entity measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

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

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

FAIR VALUE

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

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

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

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

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

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

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

1.3 INVESTMENT PROPERTY (continued)

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

1.4 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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 is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

PROPERTY, PLANT AND EQUIPMENT is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

1.4 PROPERTY, PLANT AND EQUIPMENT (continued)

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

PROPERTY, PLANT AND EQUIPMENT are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

PROPERTY, PLANT AND EQUIPMENT is carried at cost less accumulated depreciation and any impairment losses.

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

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

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

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

ITEM	**AVERAGE USEFUL LIFE**
Land	Indefinite
Infrastructure	
• Roads and storm water	5 - 8 Years
• Pedestrian malls	10 - 100 years
• Electricity	5 - 80 years
• Water	10 - 100 years
• Sewer	15 - 100 years
• Housing	80 years
• Solid water	100 years
• Servitudes	Indefinite
• Rail assets	20 - 100 years
• ICT	1 - 120 years

ACCOUNTING POLICIES

1.4 PROPERTY, PLANT AND EQUIPMENT (continued)

Community

• Buildings	20 - 80 years
• Recreational facilities	10 - 80 years
• Secutiry	5 - 10 years
• Landfill sites	10 - 80 years

Other property, plant and equipment

• furniture and Fittings	7 years
• Water craft	15 years
• Office equipment	3 - 5 years
• Specialised plant and equipment	10 - 20 years
• Other vehicles	3 - 20 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 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.

1.5 INTANGIBLE ASSETS (continued)

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.

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:

Computer software, other	1 - 10 years

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

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

1.6 HERITAGE ASSETS

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

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

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

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

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

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

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

1.6 HERITAGE ASSETS (continued)

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

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

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

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

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

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

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

RECOGNITION

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

INITIAL MEASUREMENT

Heritage assets are measured at cost.

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

SUBSEQUENT MEASUREMENT

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

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

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

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

IMPAIRMENT

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

TRANSFERS

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

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

ACCOUNTING POLICIES

1.6 HERITAGE ASSETS (continued)

DERECOGNITION

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

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

TRANSITIONAL PROVISION

The municipality changed its accounting policy for heritage assets in 2014. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have not yet been recognised. The transitional provision expires on 2015/06/30.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where heritage assets was acquired through a transfer of functions, the municipality is not required to measure that heritage assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2014 and heritage assets have accordingly been recognised at provisional amounts, as disclosed in .

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in accordance with the requirements of the Standard of GRAP on Heritage assets.

1.7 FINANCIAL INSTRUMENTS

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 - LESSOR

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

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

1.8 LEASES (continued)

FINANCE LEASES - LESSEE

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

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

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

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

OPERATING LEASES - LESSOR

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

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

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

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

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 INVENTORIES

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

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

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

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

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

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

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

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

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

1.9 INVENTORIES (continued)

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

1.10 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.

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

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

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

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

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

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

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

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

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

IDENTIFICATION

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

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

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

VALUE IN USE

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

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

1.10 IMPAIRMENT OF CASH-GENERATING ASSETS (continued)

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.

COMPOSITION OF ESTIMATES OF FUTURE CASH FLOWS

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

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.

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

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

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)

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.

REDESIGNATION

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

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS

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

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

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

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

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

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

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

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

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

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

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

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.

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.

SERVICE UNITS APPROACH

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

1.11 IMPAIRMENT OF NON-CASH-GENERATING ASSETS (continued)

RECOGNITION AND MEASUREMENT

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

REVERSAL OF AN IMPAIRMENT LOSS

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

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

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

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

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

REDESIGNATION

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

1.12 EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

1.12 EMPLOYEE BENEFITS (continued)

DEFINED CONTRIBUTION PLANS

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

DEFINED BENEFIT PLANS

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

OTHER POST RETIREMENT OBLIGATIONS

The entity provides post-retirement health care benefits and gratuities upon retirement to some retirees.

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

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.

1.13 PROVISIONS AND CONTINGENCIES (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an 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 34.

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

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

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

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.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

MEASUREMENT

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

1.14 REVENUE FROM EXCHANGE TRANSACTIONS (continued)

SALE OF GOODS

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

RENDERING OF SERVICES

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

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

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

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

INTEREST

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

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

1.15 REVENUE FROM NON-EXCHANGE TRANSACTIONS

1.16 INVESTMENT INCOME

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

1.17 BORROWING COSTS

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

1.18 COMPARATIVE FIGURES

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

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and

1.19 UNAUTHORISED EXPENDITURE (continued)

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

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

1.20 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.21 IRREGULAR EXPENDITURE

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

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

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

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

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

ACCOUNTING POLICIES

1.22 USE OF ESTIMATES

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

1.23 INVESTMENTS

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

1.24 CONDITIONAL GRANTS AND RECEIPTS

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

1.25 BUDGET INFORMATION

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

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

The approved budget is prepared on a cash 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 budget for the economic entity includes all the entities approved budgets under its control.

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

1.26 RELATED PARTIES

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

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25: Employee benefits	01 April 2013	
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	
• GRAP 12 (as revised 2012): Inventories	01 April 2013	
• GRAP 13 (as revised 2012): Leases	01 April 2013	
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	
• IGRAP16: Intangible assets website costs	01 April 2013	
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	

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	01 April 2016
• GRAP 105: Transfers of functions between entities under common control	01 April 2014
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014
• GRAP 107: Mergers	01 April 2014
• GRAP 20: Related parties	01 April 2014
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014
• GRAP32: Service Concession Arrangements: Grantor	01 April 2015
• GRAP108: Statutory Receivables	01 April 2015
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

3. INVESTMENT PROPERTY

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	15 674 281	-	15 674 281	14 857 138	-	14 857 138

RECONCILIATION OF INVESTMENT PROPERTY - 2014

	Opening balance	Fair value adjustments	Total
Investment property	14 857 138	817 143	15 674 281

RECONCILIATION OF INVESTMENT PROPERTY - 2013

	Opening balance	Other changes, movements	Total
Investment property	-	14 857 138	14 857 138

PLEDGED AS SECURITY

Pledge as security:

No assets of the municipality have been pledged as security.

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

DETAILS OF VALUATION

The significant portin of the municipality investment property is vacant land which being maintained for capital appreciation and no rental earned.
Professional Valuers in terms of the Property Valuers Profession Act, 2000, of TMDG Consulting (PTY) LTD. Mr Sithembiso Mcwabe is not connected to the entity and have recent experience in location and category of the investment property being valued.
The valuation was based on open marken value for existing use.
Fo investment property, totalling R15,674,280.99 - (2013: R14,857,138.38), where the was a lack of comparable market data, the valuation was based on discounted cash flows.
These assumptions are based on current market conditions

RECONCILIATION OF VALUATION OBTAINED AND THE VALUATION INCLUDED IN THE FINANCIAL STATEMENTS

Amounts recognised in surplus and deficit for the year.

Investment property located in (a foreign country: specify) is governed by that country’s exchange controls and therefore the rental income and proceeds from any sale of that investment property are not available to the municipality:

The significant portin of the municipality investment property is vacant land which being maintained for capital appreciation and no rental earned.

Professional Valuers in terms of the Property Valuers Profession Act, 2000, of TMDG Consulting (PTY) LTD. Mr Sithembiso Mcwabe is not connected to the entity and have recent experience in location and category of the investment property being valued.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

3. INVESTMENT PROPERTY (continued)

The valuation was based on open marken value for existing use.

Fo investment property, totalling R15,674,280.99 - (2013: R14,857,138.38), where the was a lack of comparable market data, the valuation was based on discounted cash flows.

These assumptions are based on current market conditions:

4. PROPERTY, PLANT AND EQUIPMENT

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	88 962 232	(15 579 834)	73 382 398	88 461 915	(14 148 640)	74 313 275
Infrastructure	244 465 367	(109 834 662)	134 630 705	244 108 256	(101 702 046)	142 406 210
Community	25 443 625	(14 259 421)	11 184 204	25 443 624	(1 057 912)	24 385 712
Other property, plant and equipment	13 659 857	(8 231 385)	5 428 472	13 465 226	(6 501 107)	6 964 119
Capital work in progress	23 874 864	-	23 874 864	11 879 261	-	11 879 261
Total	**396 405 945**	**(147 905 302)**	**248 500 643**	**383 358 282**	**(135 553 301)**	**247 804 981**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2014

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	74 313 275	500 317	-	(1 431 194)	73 382 398
Infrastructure	142 406 210	357 111	-	(8 132 616)	134 630 705
Community	12 242 116	-	-	(1 057 912)	11 184 204
Other property, plant and equipment	6 964 119	194 631	-	(1 730 278)	5 428 472
Capital work in progress	11 879 261	12 853 032	(857 429)	-	23 874 864
	247 804 981	**13 905 091**	**(857 429)**	**(12 352 000)**	**248 500 643**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2013

	Opening balance	Additions	Prior period adjustments	Depreciation	Total
Buildings	-	-	75 744 469	(1 431 194)	74 313 275
Infrastructure	324 569	-	150 215 257	(8 133 616)	142 406 210
Community	-	-	13 300 028	(1 057 912)	12 242 116
Other property, plant and equipment	2 524 731	494 796	5 646 870	(1 702 278)	6 964 119
Capital work in progress	69 789 315	22 536 699	(80 446 753)	-	11 879 261
	72 638 615	**23 031 495**	**164 459 871**	**(12 325 000)**	**247 804 981**

	2014	2013

4. PROPERTY, PLANT AND EQUIPMENT (continued)

HERITAGE ASSETS

The municipality owns heritage assets which will be recognised in the financial statements as per the requirements of GRAP 103.

Transitional provisions

In accordance with the transitional provisions as per Directive 3 of the GRAP Reporting Framework, certain heritageasset with a carrying value of R0.00 - (2013:R0.00 -) were identified. Quantity of heritage asset carried at provisional amounts are:

- 10 Heritage sites

- 2 Visual arts works

Due to initial adoption of GRAP 103

Steps to be taken to establish the values of heritage asset due to the initial adoption of GRAP 103, is as follows:

Heritage experts will be appointed in future to value heritage assets

The date at which full compliance with GRAP 103 is expected, is 30 June 2015.

5. 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	1 231 687	(804 185)	427 502	1 231 687	(342 036)	889 651

RECONCILIATION OF INTANGIBLE ASSETS - 2014

	Opening balance	Disposals	Amortisation	Total
Computer software, other	889 650	(99)	(410 562)	478 989

RECONCILIATION OF INTANGIBLE ASSETS - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	1 231 687	(342 037)	889 650

6. INVENTORIES

Maintenance materials	691 243	-
Unsold Properties Held for Resale	14 962 883	-
Fuel (Diesel, Petrol)	27 722	-
Prepaid electricity	682 357	-
	16 364 205	**-**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

7. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2014	2013
Trade debtors	81 995	489 570
Sundry debtors	112 010	113 324
Private telephone accounts	-	39 862
Salary deduction control account	644 183	84 396
Insurance debtor	-	177 266
Prepaid expenses	117 149	117 149
Pensioners control account	121 203	104 360
Other debtors	432 225	219 969
	1 508 765	**1 345 896**

TRADE AND OTHER RECEIVABLES PLEDGED AS SECURITY

Trade and other receivables were not pledged as security for overdraft facilities.

TRADE AND OTHER RECEIVABLES IMPAIRED

The trade and other receivables of R20,329,334 (2014): R28 669 946 (2013) were acually impaired and provided for.

The amount of the provision was R112,091,939 as of 30 June 2014: (2013) R103 887 061.

8. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2014	2013
Government grants and subsidies	739 020	-

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS PLEDGED AS SECURITY

None of other receivables from non-exchange transactions were pledged as security for overdraft facilities.

9. VAT RECEIVABLE

	2014	2013
VAT	-	166 548

10. CONSUMER DEBTORS

	2014	2013
GROSS BALANCES		
Rates	5 632 211	7 214 584
Electricity	6 535 563	9 718 194
Water	21 707 207	20 598 732
Sewerage	35 099 282	24 956 811
Refuse	17 594 113	18 057 278
Debtors interest	45 146 101	38 948 525
Other Consumer Debtors	4 558 216	4 756 433
	136 272 693	**124 250 557**
LESS: ALLOWANCE FOR IMPAIRMENT		
Provision for bad debts	(112 091 939)	(103 887 061)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013
10. CONSUMER DEBTORS (continued)		
NET BALANCE		
Rates	5 632 211	7 214 584
Electricity	6 535 563	9 718 194
Water	21 707 207	20 598 732
Sewerage	35 099 282	24 956 811
Refuse	17 594 113	18 057 278
Debtors interest	45 146 101	38 948 525
Provision for doubtful debts	(107 533 723)	(99 130 628)
	24 180 754	**20 363 496**
RATES		
Current (0 -30 days)	482 439	433 510
31 - 60 days	234 021	335 689
61 - 90 days	124 262	93 040
91 - 120 days	4 812 514	5 509 197
	5 653 236	**6 371 436**
ELECTRICITY		
Current (0 -30 days)	1 414 055	1 676 307
31 - 60 days	534 431	1 193 492
61 - 90 days	375 997	473 649
91 - 120 days	4 191 937	3 349 625
	6 516 420	**6 693 073**
WATER		
Current (0 -30 days)	791 420	568 758
31 - 60 days	415 269	1 433 060
61 - 90 days	472 812	2 094 820
91 - 120 days	20 062 746	16 953 646
	21 742 247	**21 050 284**
INTEREST ON DEBTORS ACCOUNTS		
Current (0 -30 days)	1 064 466	1 009 043
31 - 60 days	1 097 557	1 987 056
61 - 90 days	1 088 539	2 347 836
91 - 120 days	41 895 707	33 840 144
	45 146 269	**39 184 079**
SEWERAGE		
Current (0 -30 days)	795 328	729 872
31 - 60 days	676 654	1 326 867
61 - 90 days	655 767	625 129
91 - 120 days	23 154 414	20 490 657
	25 282 163	**23 172 525**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013
10. CONSUMER DEBTORS (continued)		
REFUSE		
Current (0 -30 days)	459 027	431 394
31 - 60 days	412 642	782 748
61 - 90 days	395 825	365 938
91 - 120 days	16 332 110	14 801 916
	17 599 604	**16 381 996**
OTHER CONSUMABLE DEBTORS (SUNDRIES)		
Current (0 -30 days)	631 312	(262 780)
31 - 60 days	345 716	(140 616)
61 - 90 days	289 190	(3 421)
91 - 120 days	2 186 244	3 560 826
	3 452 462	**3 154 009**
VAT		
Current (0 -30 days)	537 423	490 391
31 - 60 days	305 425	686 663
61 - 90 days	287 708	519 555
91 - 120 days	9 349 008	7 908 834
	10 479 564	**9 605 443**
SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION		
CONSUMERS		
Current (0 -30 days)	4 657 082	3 946 140
31 - 60 days	3 274 264	6 765 268
61 - 90 days	3 911 911	5 988 862
91 - 120 days	106 353 927	102 091 246
	118 197 184	**118 791 516**
INDUSTRIAL/ COMMERCIAL		
Current (0 -30 days)	849 434	1 035 979
31 - 60 days	365 224	675 650
61 - 90 days	258 933	410 311
91 - 120 days	11 997 873	1 332 552
	13 471 464	**3 454 492**
NATIONAL AND PROVINCIAL GOVERNMENT		
Current (0 -30 days)	131 531	94 376
31 - 60 days	76 802	164 041
61 - 90 days	81 048	117 373
91 - 120 days	775 581	2 991 047
	1 064 962	**3 366 837**
TOTAL		
Less: Allowance for impairment	(112 091 939)	(103 292 866)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

10. CONSUMER DEBTORS (continued)

RECONCILIATION OF ALLOWANCE FOR IMPAIRMENT

Balance at beginning of the year	(103 887 061)	(41 679 092)
Contributions to allowance	(28 534 334)	(90 877 916)
Debt impairment written off against allowance	20 329 456	28 669 947
	(112 091 939)	**(103 887 061)**

CONSUMER DEBTORS PLEDGED AS SECURITY

No consumer debtors have been pledged as security as at 30 June 2014.

RECONCILIATION OF ALLOWANCE FOR IMPAIRMENT OF CONSUMER DEBTORS

Opening balance	(103 887 062)	(41 679 092)
Allowance for impairment	9 277 860	(90 877 916)
Amounts written off as uncollectible	20 329 456	28 669 946
	(74 279 746)	**(103 887 062)**

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	5 428	1 210
FNB Investments accounts	3 737 353	6 109 568
Bank overdraft	(3 624 070)	(4 203 522)
	118 711	**1 907 256**

Current assets	3 742 781	6 110 778
Current liabilities	(3 624 070)	(4 203 522)
	118 711	**1 907 256**

The municipality have the following facilities, Short term direct facility of R3,624,070 and Short term direct facility from Wesbank of R200,000. It is hereby specifically agreed that security given by the Dr Ruth Segomotsi Mompati District Municipality as cover for or in relation to the obligation and /or indebtedness of the local Municipality in terms of this Facility Letter toward the bank, has been approved by municipal council resolution in accordance with the provision of section 48(3),(4) and (5) of MFMA Act.

12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

The unspent conditional government grants of R9,463,650 as disclosed below relates to Municipality Infrastructure Grant. The grant is intended to assit the municipality to provide basic level of service and to cover the capital costs of basic infrastructure. Thus the unspent grants will be utilised to cover the project costs in relation to infrastructure that are still in the progress.

The Department of Human Settlement entered into a contract with the Mamusa Local Munucupality during 2003 to 2008 implement Nooitgedacht and Ipelegeng Ext 2/3 projects. The balance of the project thus far amounts to R15,580,348 and the municipality did not account for the balance as unpent conditional grant in their accounting records. Refer also to Note 35 on prior period errors.

	2014	2013

12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS (continued)

UNSPENT CONDITIONAL GRANTS AND RECEIPTS COMPRISES OF:

UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Municipal Infrastructure Grant	9 049 770	-
Department of Human Settlement	15 580 349	15 580 349
Department of Local Government & Housing	21 021	-
District Municipality Grant	430 219	600 000
LG SETA Grant	58 776	-
	25 140 135	**16 180 349**

13. PROVISIONS

RECONCILIATION OF PROVISIONS - 2014

	Opening Balance	Additions/(Reduction)	Total
Provision for Landfill site rehabilitation	8 847 066	187 321	9 034 387
Leave Pay Provision	4 477 261	474 313	4 951 574
Post Employment Benefit	8 650 644	3 102 356	11 753 000
Long Service Award	1 595 091	124 909	1 720 000
	23 570 062	**3 888 899**	**27 458 961**

RECONCILIATION OF PROVISIONS - 2013

	Opening Balance	Additions/(Reduction)	Total
Provision for landfill site rehabilitation	-	8 847 066	8 847 066
Leave Pay Provision	1 766 143	2 711 118	4 477 261
Post Employment Benefit	8 867 868	(217 224)	8 650 644
Long Service Award	1 365 191	229 900	1 595 091
	11 999 202	**11 570 860**	**23 570 062**

Non-current liabilities	22 507 387	19 092 801
Current liabilities	4 951 574	4 477 261
	27 458 961	**23 570 062**

LANDFILL

Key financial assumptions

Table 9.1 summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year

A government bond rates are considered more appropriate indicators of the risk associated with the municipality than corporate bond rates to determine the discount rate. The government bond rates are most consistent with the estimated term of the liability should be used.

The rate most consistent with the remaining life of the of the landfill published on 30 June was used and in case of the landfill the rate associated with the maximum period of 10 yearswas used, i.e. 2.25% above CPI5.

Closure Costing Model.

13. PROVISIONS (continued)

The Municipal Landfill Closure Costing Model (MLCCM) has been used to estimate the final rehabilitation and closure costs for the municipal landfill. The MCCM standardises the valuation of landfill closure costs between the different landfills and for the same landfill over time. The MLCCM is bades on the Minimum Requirements for Wate Disposal by Landfill of the Department of Water Affairs (1988), as estimated by more recent regulations. Th MLCCM provides a reliable best possible estimate of closure costs in terms of paragraph 49 of GRAP 19.

PEMA

Key financial assumptions

Table 9.1 summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year. The next contribution rate increase is assumed to occur at 01 Junauary 2015.

The low net discount rate indicates that expected medical inflation over the term of the liabilities is almost equal to the return earned on government bonds. This phenomenon generally can only occur in the short term. In the long term, medical inflation is expected to be less than the return earned on government bonds by a greater margin.

Key demographic assumptions

Table 9.2 summarises the key demographic assumptions used.

Sensitivity results

The liability at the Valuation Date was recalculated to show the effect of:
(i) A 1% increase and decrease in the assumed rate of health care cost inflation;
(ii) A one-year age reduction in the assumed rates of post-retirement mortality;
(iii) A one-year decrease in the assumed average retirement age; and
(iv) A 0% to 20% reduction in the assumed withdrawal rates

Sensitivity analysis

Table 9.3 summarises the results of the sensitivity analysis on the Accrued Liability of R 11,753,000

Note: Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-retirement (for pensioners) has been based on the PA (90) ultimate mortality.
The table below indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 11% higher than that shown.

13. PROVISIONS (continued)

LSA

Key financial assumptions

Table 9.4 summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year.

The salaries used in the valuation include an assumed increase on 1 July 2014 of 6.79% which was budgeted for by the Municipality. The next salary increase was assumed to take place in July 2015.
The negative net discount rate implies that expected salary inflation in the short term is greater than the return on short-term government yields. The liability weighted average term of the total liability is short due to the nature of the remaining payments.

Key Demographic Assumptions

Table 9.5 summarises the key demographic assumptions used.

Sensitivity results

The assumptions which tend to have the greatest impact on the results are:
(i) The discount rate relative to the salary inflation assumptions;
(ii) The average retirement age of employees; and
(iii) Assumed rates of withdrawal of employees from service.

The liability at the Valuation Date was recalculated to show the effect of:
(i) A 1% increase and decrease in the assumed general salary inflation rate;
(ii) A two-year decrease and increase in the assumed average retirement age of employees; and
(iii) A 0% to 20% decrease in the assumed withdrawal rates from service

Sensitivity analysis

Table 9.6 summarises the results of the sensitivity analysis on the Unfunded Accrued Liability in R1,720,000.

The table below indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher than the results shown in Section 6.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

13. PROVISIONS (continued)

TABLE 9,1 KEY FINANCIAL ASSUMPTIONS - LANDFILL	Valu p.a %	Value p.a	Column heading	Column heading	Total
COnsumer Price Index	6	-	-	-	6
Diascount rate	9	-	-	-	9
Net effective discount rate	2	-	-	-	2
	17	**-**	**-**	**-**	**17**

HEADING

	-	-
	-	-
	-	-
	-	**-**

TABLE 9.1 KEY FINANCIAL ASSUMPTIONS - PEMA	Value p.a (%)
Discount rate	8.94
Health care cost inflation rate	8.05
Net effective discount rate	0.25

	Table 9.2 Key demographic assumptions - PEMA		
	Value p.a (%)		
Proportion of eligible current non-member employees joining the scheme by retirement	0%		
Mortality during employment	SA 85-90		
Mortality post-retirement	PA90-1		
Subtotal	-	-	-
	Age		
	20		
	30		
	40		
	50%		
	>55		

TABLE 9.3 SENSITIVITY ANALYSIS - PEMA	Change	In-service	Continuation	Total	% change
Central Assumptions		3.139	5.512	8.651	0
Health care inflation	1%	5.512	6.076	9.588	21177
	-1%	2.794	5.021	7.815	-10%
Post-retirement mortality	-1yr	3.315	5.756	9.071	5%
Average retirement age	-1yr	3.468	5.512	8.980	4%
Withdrawal Rate	-50%	3.474	5.512	8.985	4%

	2014	2013

13. PROVISIONS (continued)

TABLE 9.4 KEY FINANCIAL ASSUMPTIONS - LSA	Value p.a. (%)
Discount rate	7.96%
General Salary Inflation (long-term)	7.33%
Net effective discount rate	-0.14%

	Table 9.5 Key demographic assumptions - LSA		
	Value p.a (%)		
	60		
	SA85-90		
Subtotal	-	-	-
	Age		
	20		
	30		
	40		
	50		
	55		

TABLE 9.6 SENSITIVITY ANALYSIS - LSA	Change	Liability	% change
Central assumptions		1.595	
General salary inflation	+1%	1.693	6%
	-1%	1.693	-6%
Average retirement age	-2yrs	1.408	-12%
	+2yrs	1.735	9%
Withdrawal rates	-50%	1.877	18%

EMPLOYEE BENEFIT COST PROVISION

Medical Aid Contribution

The Municipality has agreed to subsidise the medical aid contributions of retired members in the following way:

In-service members will receive a post-employment subsidy of **70%** of the contribution payable. All continuation members receive a **70%** subsidy. Member's spouses are **not** entitled to the subsidy. e

The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded i.e no didctated assets have been set side to meet the liability.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

14. PAYABLES FROM EXCHANGE TRANSACTIONS

	2014	2013
Trade payables	25 537 126	28 958 391
Salaries control	300 958	354 062
Accrued bonus	1 611 301	629 518
Accrued expense	75 000	-
Revenue takeon suspence	212 889	212 889
Other payables	527	86 596
Debtors with credit balances	883 597	1 446 606
Salary deductions control	2 189 400	71 119
Pensioners control account	40 273	4 799
Debtor Suspense Account	31 909	13 529
Private telephone account	189 146	532 655
Cash Control Account	10 150 389	10 169 482
Community hall deposits	55 777	42 687
	41 278 292	**42 522 333**

15. VAT PAYABLE

	2014	2013
Tax refunds payables	2 155 202	-

16. CONSUMER DEPOSITS

	2014	2013
Consumer deposits	548 920	590 035
Erf deposits	173 138	121 372
	722 058	**711 407**

17. REVENUE

	2014	2013
Service charges	47 409 522	50 124 220
Licences and permits	2 263 813	2 347 807
Commissions received	75 756	71 565
Discount received	48 320	17 500
Rent income	380 254	157 976
Other income	817 562	1 194 381
Interest received - investment	13 124 615	12 886 439
Property rates	7 592 874	7 127 070
Government grants & subsidies	52 870 032	74 077 705
Fines	41 754	13 289
	124 624 502	**148 017 952**

THE AMOUNT INCLUDED IN REVENUE ARISING FROM EXCHANGES OF GOODS OR SERVICES ARE AS FOLLOWS:

	2014	2013
Service charges	47 409 522	50 124 220
Licences and permits	2 263 813	2 347 807
Commissions received	75 756	71 565
Discount received	48 320	17 500
Rent income	380 254	157 976
Other income	817 562	1 194 381
Interest received - investment	13 124 615	12 886 439
	64 119 842	**66 799 888**

	2014	2013

17. REVENUE (continued)

THE AMOUNT INCLUDED IN REVENUE ARISING FROM NON-EXCHANGE TRANSACTIONS IS AS FOLLOWS:		
TAXATION REVENUE		
Property rates	7 592 874	7 127 070
TRANSFER REVENUE		
Government grants & subsidies	52 870 032	74 077 705
Fines	41 754	13 289
	60 504 660	**81 218 064**

18. PROPERTY RATES

RATES RECEIVED

Property rates	7 592 874	7 127 070

19. SERVICE CHARGES

Sale of electricity	24 124 234	23 884 911
Sale of water	8 488 837	12 139 783
Sewerage and sanitation charges	9 213 514	8 848 421
Refuse removal	5 582 937	5 251 105
	47 409 522	**50 124 220**

20. GOVERNMENT GRANTS AND SUBSIDIES

Operating grants		
Equitable share	33 675 000	29 825 000
Government grant (operating)	5 579 020	20 190 029
	39 254 020	50 015 029
Capital grants		
Government grant (capital)	13 616 012	24 062 676
	13 616 012	24 062 676
	52 870 032	**74 077 705**

EQUITABLE SHARE

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

MUNICIPAL INFRASTRUCTURE GRANT

Balance unspent at beginning of year	-	7 323 674
Current-year receipts	22 496 000	16 739 000
Conditions met - transferred to revenue	(13 446 229)	(21 077 577)
Prior period adjustment (error)	-	(2 985 097)
	9 049 771	**-**

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

The grant was used to fund various infrastructure projects such as roads and buildngs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

20. GOVERNMENT GRANTS AND SUBSIDIES (continued)

MUNICIPAL SYSTEMS IMPROVEMENT GRANT

Balance unspent at beginning of year	-	995 853
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(890 000)	(1 755 420)
Prioy year adjustment (error)	-	(40 433)
	-	-

FINANCIAL MANAGEMENT GRANT

Balance unspent at beginning of year	-	1 296 487
Current-year receipts	1 650 000	672 984
Conditions met - transferred to revenue	(1 650 000)	(1 969 471)
	-	-

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

The grant was used to fund the financial management systems within the municipality.

DEPARTMENT OF HUMAN SETTLEMENT

Balance unspent at beginning of year	15 580 349	15 580 349

The Department of Human Settlement entered into a contract with the Mamusa Local Munucupality during 2003 to 2008 implement Nooitgedacht and Ipelegeng Ext 2/3 projects. The balance of the unspent grant still remains an obligation expected to be settled by the municipality.

DEPARTMENT OF LOCAL GOVERNMENT & HOUSING

DEPARTMENT OF SPORT ART AND CULTURE - LIBRARY FUNDS

Balance unspent at beginning of year	-	500 000
Current-year receipts	550 000	500 000
Conditions met - transferred to revenue	(550 000)	(1 000 000)
	-	-

DISTRICT MUNICIPALITY GRANT

Balance unspent at beginning of year	600 000	-
Current-year receipts	-	12 957 514
Conditions met - transferred to revenue	(169 781)	(12 357 514)
	430 219	**600 000**

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

This was used for meeting the costs of repairs to the water infrastructure assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

20. GOVERNMENT GRANTS AND SUBSIDIES (continued)

EXTENDED PUBLIC WORKS PROGRAMME

	2014	2013
Current-year receipts	-	2 280 610
Conditions met - transferred to revenue	-	(2 280 610)
	-	**-**

21. OTHER INCOME

	2014	2013
Acturial gain	301 729	752 717
Sundry income	877	695
Sales: erven	-	15 000
Rent: housing	-	4 009
Garden refuse	560	-
Plan fees	52 843	21 058
Other income	461 553	400 902
	817 562	**1 194 381**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

22. GENERAL EXPENSES

	2014	2013
Advertising	259 725	138 697
Auditors remuneration	1 895 374	4 013 796
Bank charges	234 145	186 997
Consulting and professional fees	1 386 796	1 170 970
Consumables	101 952	128 676
Donations	231 046	441 587
Entertainment	3 750	-
Fines and penalties	1 206 620	651 352
Community hall refund	4 648	129
Insurance	1 849 648	1 385 021
Community development and training	87 745	25 750
Congresses and conferences	148 923	42 289
IT expenses	-	1 839
Magazines, books and periodicals	45 202	137 345
Fuel and oil	945 721	1 254 132
Postage and courier	260 420	27 283
Printing and stationery	372 208	657 339
Uniforms and protective clothing	232 950	121 997
Security (guarding of municipal property)	1 409 612	770 557
Software Expenses	910 498	774 848
Refreshments and meals	59 981	162 397
Subscriptions and membership fees	500 000	450 500
Telephone and fax	821 176	577 371
Training and courses	303 875	384 164
Travel and subsistence: officials	2 898 456	2 265 223
Electricity	2 087 351	1 752 178
Pauper burials	22 500	26 230
Sundry Expences	4 914 258	1 519 618
Vehicles: licenses	14 181	79 113
Workmans's compensation	-	15 816
Rental equipment	1 121 555	1 252 204
Other Expense	3 679 592	1 449 577
Venue expenses	146 875	84 441
Billing charges	115 595	142 242
Chemicals	167	1 120
	28 272 545	**22 092 798**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23. EMPLOYEE RELATED COSTS

	2014	2013
Basic	20 991 587	18 803 800
Bonus	2 443 044	1 405 546
Medical aid - company contributions	2 797 251	2 479 645
UIF	258 593	224 122
SDL	337 020	298 725
Leave pay provision charge	474 313	528 702
Bargaining Council contribution	14 223	13 126
Group Insurance	238 993	224 006
Other short term costs	3 275 383	765 393
Defined contribution plans	3 482 216	3 541 749
Travel, motor car, accommodation, subsistence and other allowances	2 511 397	2 141 227
Overtime payments	3 595 980	3 439 416
Long-service awards	303 172	137 869
Acting allowances	510 202	495 546
Housing benefits and allowances	1 225 497	1 013 558
Other allowances	810 902	870 776
Leave pay movement	198 929	392 032
	43 468 702	**36 775 238**

REMUNERATION OF MUNICIPAL MANAGER - R GINCANE

	2014	2013
Annual Remuneration	493 451	511 117
Car Allowance	465 775	608 326
Contributions to UIF, Medical and Pension Funds	10 702	11 466
	969 928	**1 130 909**

REMUNERATION OF CHIEF FINANCE OFFICER

	2014	2013
Annual Remuneration	432 000	454 824
Car Allowance	345 641	446 580
Contributions to UIF, Medical and Pension Funds	23 583	24 224
	801 224	**925 628**

REMUNERATION OF CORPORATE AND TECHNICAL SERVICES DIRECTORS

	2014	2013
Annual Remuneration	648 000	712 704
Car Allowance	526 930	591 815
Contributions to UIF, Medical and Pension Funds	46 377	132 485
	1 221 307	**1 437 004**

24. REMUNERATION OF COUNCILLORS

	2014	2013
Mayor	99 375	175 307
Councillors	2 537 401	1 839 817
Councillors’ pension, medical aid and SDL contributions	557 534	380 607
Councillors' allowances	1 827 734	876 756
	5 022 044	**3 272 487**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

25. DEBT IMPAIRMENT

Debt impairment	28 564 071	89 638 650

The debt impairment for the financial year 2014 amounted to R28,454,701 and R89,638,650 in 2013. The actual debt written off as irrecoverable amounted to R20,329,334 in the financial year 2014 and R28,669,947 in 2013.

26. INVESTMENT REVENUE

INTEREST REVENUE		
Bank and investments	232 075	572 098
Interest charged on trade and other receivables	12 892 540	12 314 341
	13 124 615	**12 886 439**
	-	-
	13 124 615	12 886 439

The amount included in Investment revenue arising from exchange transactions amounted to R232,075 - (2013) R572,098.

The amount included in Investment revenue arising from non-exchange transactions amounted to R12,892,540 - (2013) R12,314,341.

27. DEPRECIATION AND AMORTISATION

PROPERTY, PLANT AND EQUIPMENT	12 358 713	12 120 499
Intangible assets	410 562	342 036
	12 769 275	**12 462 535**

28. FINANCE COSTS

DBSA loan	7 371	-
Bank	261 240	190 105
	268 611	**190 105**

29. AUDITORS' REMUNERATION

Fees	1 895 374	4 013 796

30. GRANTS AND SUBSIDIES PAID

OTHER SUBSIDIES		
Sports projects	2 000	-
LED Projects	56 574	242 573
	58 574	**242 573**
Grants paid to ME's	-	-
Other subsidies	58 574	242 573

31. BULK PURCHASES

Electricity	21 571 298	23 307 688
Water	38 067	141 239
	21 609 365	**23 448 927**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

32. CASH (USED IN) GENERATED FROM OPERATIONS

	2014	2013
Deficit	(21 422 531)	(46 150 302)
ADJUSTMENTS FOR:		
Depreciation and amortisation	12 769 275	12 462 535
Fair value adjustments	(817 143)	-
Debt impairment	28 564 071	89 638 650
Movements in provisions	3 888 899	553 727
CHANGES IN WORKING CAPITAL:		
Inventories	(16 364 205)	-
Receivables from exchange transactions	(162 869)	(196 838)
Consumer debtors	(32 381 329)	(28 269 802)
Other receivables from non-exchange transactions	(739 020)	-
Payables from exchange transactions	(1 244 041)	1 969 740
VAT	2 321 750	3 169 002
Unspent conditional grants and receipts	8 959 786	(4 663 468)
Consumer deposits	10 651	83 948
	(16 616 706)	**28 597 192**

33. COMMITMENTS

AUTHORISED CAPITAL EXPENDITURE

ALREADY CONTRACTED FOR AND APPROVED	2014	2013
• Infrastructure	9 429 104	14 187 301
• Other	3 229 482	13 232 951
	12 658 586	**27 420 252**

This committed expenditure relates to property and will be financed by retained conditional grant, and existing cash resources, funds internally generated, etc.

OPERATING LEASES - AS LESSEE (EXPENSE)

MINIMUM LEASE PAYMENTS DUE	2014	2013
- within one year	357 282	372 237
- in second to fifth year inclusive	431 279	647 574
	788 561	**1 019 811**

Operating lease payments represent rentals payable by the municipality for certain of its photocopier and telephone management system. No contingent rent is payable.

34. CONTINGENCIES

CONTINGENT LIABILITIES

CONTINGENT ASSETS

There are no contigent assets that were identified in the current year.

35. RELATED PARTIES

No related party transactions were identified in the current year.

36. PRIOR PERIOD ERRORS

3.5.1 **Unpent conditional grant - Human Settlement**.

The Department of Human Settlement entered into a contract with the Mamusa Local Munucupality during 2003 to 2008 implement Nooitgedacht and Ipelegeng Ext 2/3 projects. The balance of the project thus far amounts to R15,580,348 and the municipality did not account for the balance as unpent conditional grant in their accounting records and thus the error has been restated retrospectively.

3.5.2 **Unspent conditional grant - Municipal Infrastructure Grant.**

The National Treasury confirmed that the amount of R2,985,098.58 disclosed in the prior year AFS was a discrepancy as the mount was fully spent. On 19 December 2013 The National Treasy reimbursed the municipality with the amount that was offset in line the audited 2012/13 Annual Financial Statements which reflected the full expenditure on the Municipal Infrastructure Grant.

3.5.3 **Provision for leave**

The correction of R2,170,067 relates to the error in calculation of the leave provision in the previous years. The provision for leave was calculated using the employees basic salary rate intead of the employees remuneration rate as advised by the Basic Condition of Employment Act

3.5.4 **Provision for landfill site rehabilitation**

Management did not provide for the rehabilitation cost for Schwezer Reneke landfill site in the previous years. The site is used for the waste disposal and the municipality is therefore obliged by the Waste Management Legistaion Act to rehabilitate the landfill site at end of its estimated useful life. Thus the municipality is expected to rationally pay to settle an obligation of R12,944,320 at the reporting date or end of the useful life of the landfill site.

3.5.5 **Retentions**

Management did not account for the retention monies of R624,064.27 held in relation to the service provided construction projects at end of the financial year 2012/13. The municipality was still liable to settle the amounts at end of the projects and thus it was appropriate to have raised liability in this regards.

3.5.6 **Trade creditors**

The prior period error to the amount of R13,148,704 was as a result of the understatement of creditors in the prior year.

3.5.7 **Land and building**s

The prior period error to the amount of R75,744,469 was as a result of first time recognition of land and buildings during the year. The deemed costs was adopted to determine the cost price for land and buildings in its various components.

3.5.8 **Intrastructure**

The prior period adjustment to eh amount of R150,215,257 was as a result of the unbundling of all municipal infrastructure using deemed cost during the year. The municuipality had not previously recognised the infrustructure asset. Deemed cost was used to determine the carrying values.

3.5.9 **Community**

The municipality initially recognised municipal class of community assets using the deemed cost approach in compliance with the requirements of directive 7. Municipality had not previously recognised community assets to the value of R13,300,028.

3.5.10 **Other property, plant and equipment**

The prior period adjustment to the amount of R5,646,870 was caused by the fact that fair values was utilised in some cases where actual supporting documentation was not obtained.

	2014	2013

36. PRIOR PERIOD ERRORS (continued)

3.5.11 **Work-in-progress**

The prior period error to the amount of R80,446,753 was as a result of capitalisation of project that were completed in the previous years but where cummulative in the work in progress account. The capital projects were capitalised during the year including housing projects.

3.12 **Petty cash**.

The prior period error to the amount of R75,517.96 was due to the expenditure transactions relating to petty cash that were not recorded into the accounting system against the petty cash account. Thus the petty cash balance kept on accumulating.

The correction of the error(s) results in adjustments as follows:

	2014	2013
STATEMENT OF FINANCIAL POSITION		
PROPERTY, PLANT AND EQUIPMENT	-	(15 580 349)
Unspent conditional grant - Municipal Infrastructure Grant	-	(2 985 099)
Provision for leave	-	(2 170 067)
Provision for landfill site rehabilitation	-	(8 847 066)
Retentions	-	(624 064)
Trade creditors	-	(13 148 704)
Land and buildings	-	75 744 469
Infrustracture	-	150 215 257
Community	-	13 300 028
Other property, plant and equipment	-	5 646 869
Work-in-progress	-	(80 446 753)
Petty cash	-	75 518
	-	**121 180 039**

	2014	2013
STATEMENT OF FINANCIAL PERFORMANCE		
Depreciation expense	-	11 677 592

37. COMPARATIVE FIGURES

Certain comparative figures have been restated. Refer to note 35 on corrections of prior period erros.

38. RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

LIQUIDITY RISK

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

CREDIT RISK

Credit risk consists mainly of cash deposits, cash equivalents 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 council. The utilisation of credit limits is regularly monitored.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

39. GOING CONCERN

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

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

40. UNAUTHORISED EXPENDITURE

	2014	2013
Current year -irregular	8 721 092	74 976 774

This is due to actual expenditure exceeding the approved budget. This will be presented to the council in the 2014/15 financial year.

41. FRUITLESS AND WASTEFUL EXPENDITURE

	2014	2013
Opening balance	943 730	-
Interest payment	1 338 768	651 352
Salary payments	-	292 378
Telephone systems	32 057	-
	2 314 555	**943 730**

1) This arose due to interest payments arising from late payments to service providers.
2) This arose due to that contracts for telephone services were not cancelled while service was no longer used

42. IRREGULAR EXPENDITURE

	2014	2013
Opening balance	21 949 152	8 162 860
Add: Irregular Expenditure - current year	2 226 191	13 786 292
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	24 175 343	**21 949 152**

DETAILS OF IRREGULAR EXPENDITURE – CURRENT YEAR

	Steps to be taken	
Contract over R30,000 not advertised	Matters to be investigated and submitted to council	695 567
Contract over R200,000 did not go through tender process	Matters to be investigated and submitted to council	739 104
Services rendered with one quote without order	Matters to be investigated and submitted to council	325 622
Services rendered without order and quote	Matters to be investigated and submitted to council	214 553
Only two quotes sourced for services	Matters to be investigated and submitted to council	251 345
		2 226 191

43. IN-KIND ASSISTANCE

The Provincial and National Treasury is giving financial assistance in the current year at no cost to the Municipality.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2014	2013

44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

MATERIAL LOSSES

	2014	2013
Water	320 888	-
Electricity	1 991 107	-
	2 311 995	**-**

Revenue water consists of water loss as a result of the backwash during the water treatment.

The current year energy losses were 17%. Losses are split into technical and non-technical, technical is as a result of the very nature of electricity and the way it is conducted, via lines, status/condition and age of the network, weather conditions, and load on the system.

AUDIT FEES

	2014	2013
Opening balance	1 300 091	1 759 422
Current year subscription / fee	1 860 937	3 659 424
Amount paid - current year	(570 461)	(4 118 755)
	2 590 567	**1 300 091**

VAT

	2014	2013
VAT receivable	-	166 548
VAT payable	2 155 202	-
	2 155 202	**166 548**

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

COUNCILLORS' ARREAR CONSUMER ACCOUNTS

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

30 June 2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
A Motswana	181	-	181
RM Lee	336	-	336
CP Herbst	1 240	-	1 240
OM Stephen	314	-	314
NG Masilo	744	6 983	7 727
GG Mosebetsi	5 442	9 157	14 599
SDJ Strydom	4 563	-	4 563
MY Moyake	706	-	706
BT Thekiso	307	-	307
TM Sepato	197	-	197
KM Setshameko	79	-	79
LD Motlapele	363	-	363
KM Mere	94	-	94
	14 566	**16 140**	**30 706**

	2014	2013

44. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

30 June 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
RM Lee	1 015	-	1 015
OM Stephen	(71)	-	(71)
A Motswana	166	-	166
SDJ Strydom	65	-	65
KM Setshameko	170	-	170
LD Motlapele	902	9 019	9 921
KM Mere	78	-	78
MY Moyake	719	2 814	3 533
PM Maine	388	5 496	5 884
NG Masilo	963	16 719	17 682
TM Sepato	226	-	226
BT Thekiso	580	25	605
CP Herbst	2 054	-	2 054
	7 255	**34 073**	**41 328**

45. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014

	Forecast # 1 2014 Act. Bal. Rand	Forecast # 1 2014 Bud. Amt Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	7 127 070	6 920 634	206 436	3,0	Movement not significant
Electrity	21 240 614	27 786 630	(6 546 016)	(23,6)	There are customers converted from converntional electricity to prepaid electricity during 2012/13 financial year.
Water	12 139 783	7 334 707	4 805 076	65,5	Additional water pumps were installed in the locations and billing started in 2012/13 financial year.
Sanitation	8 848 421	6 442 201	2 406 220	37,4	Additional water pumps were installed in the locations and billing started in 2012/13 financial year.
Refuse	5 259 996	5 088 950	171 046	3,4	Variance less than 10%, considered not significant
Rental of facilities and equipment	157 976	498 653	(340 677)	(68,3)	
Interest received- Investments	572 098	760 848	(188 750)	(24,8)	Fastracking implmentation of MIG resulted to the municipality not investing the grant amount received.
Interest received- Outstanding debtors	12 314 341	6 954 453	5 359 888	77,1	Interest earned increased based on billing of additional water pumps and sewerage in the locations, and slow paying of those customers. Implementation of debt collection.
Transfers recognised	33 075 143	61 946 799	(28 871 656)	(46,6)	Budget includes includes both Equitable Shares and MIG grants
Agency services	71 565	1 013 302	(941 737)	(92,9)	Library fees are not included in the actual incurrence.
Licences, fines and permits	2 361 096	2 694 682	(333 586)	(12,4)	Fines are included in licenses and permits
Other revenue	3 085 961	5 461 578	(2 375 617)	(43,5)	Budget considered the average of customers converting from convertional electricity to prepaid electricity. Prepaid electricity is recognised as other revenue.
	106 254 064	132 903 437	(26 649 373)	(20,1)	
Expenses					
Personnel	(33 770 564)	(36 870 323)	3 099 759	(8,4)	Movement is less than 10%
Remuneration of councillors	(3 272 487)	(3 808 437)	535 950	(14,1)	Consideration of tools of trade discussion at SALGA level during the budget period which was not implemented in the 2012/2013 financial year.
Depreciation	(647 406)	-	(647 406)	-	No depreciation was budgeted for
Finance costs	(190 105)	(651 558)	461 453	(70,8)	
Debt impairment	(89 638 650)	(22 789 000)	(66 849 650)	293,3	The municipality budgeted to write off what they afford to write off. The actual expenditure consist of movement to provision for bad debts.
Bulk purchases	(23 854 910)	(24 173 230)	318 320	(1,3)	Variance less than 10%, considered not significant
Other expenses	(22 210 460)	(15 928 007)	(6 282 453)	39,4	Audit fees for 4 afs, s&t training of finance staff and managers to meet the competency levels, fuel and oil price increases, indigent electricity consumers increased.
Other expenses	(6 355 051)	(5 400 359)	(954 692)	17,7	
Transfers and grants	(242 573)	-	(242 573)	-	Movement is less than 10%
	(180 182 206)	(109 620 914)	(70 561 292)	64,4	
Other revenue and costs					
Net surplus/ (deficit) for the year	(73 928 142)	23 282 523	(97 210 665)	(417,5)	