Tswelopele Local Municipality
(Registration number FS183)
Financial statements
for the year ended 30 June 2014

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
Executive committee	Mathibe, ME (Mayor)
	Moalosi, PP
	Horn, C
Councillors	Matlakala, TA (Speaker)
	Baleni, MS
	Bonokwane, MS
	Eseu, BP
	Joubert, EC
	Njodina, DA
	Ngexe, MJ
	Phukuntsi, KR
	Raseu, MW
	Taedi, TT
	Taljaard, MJ
	Snyer, MM
Grading of local authority	Medium Capacity
	Grade 3 in terms of Remuneration of Public Office Bearers Act.
Accounting Officer	Mkhwane, TL
Chief Finance Officer (CFO)	Moletsane, NL
Business address	Civic Centre
	Bosman Street
	Bultfontein
	9670
Postal address	PO Box 3
	Bultfontein
	9670
Bankers	ABSA Bank Limited
Auditors	The Auditor-General of South Africa

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal 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)

Accounting Officer's Responsibilities and Approval

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

The 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 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The financial statements set out on pages 5 to 79, 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:

TL Mkhwane
Municipal Manager

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	12 848 020	14 110 511
Consumer debtors	4	1 745 924	7 614 665
Inventories	5	369 860	219 728
Receivables from exchange transactions	6	1 097 960	686 630
Receivables from non-exchange transactions	7	-	2 353 488
VAT receivable	8	772 684	801 756
		16 834 448	**25 786 778**
Non-Current Assets			
Biological assets that form part of an agricultural activity	9	1 184 674	1 131 476
Investment property	10	23 876 000	23 876 000
Other financial assets	11	917 100	897 182
Property, plant and equipment	12	366 116 781	356 903 806
		392 094 555	**382 808 464**
Total Assets		**408 929 003**	**408 595 242**
Liabilities			
Current Liabilities			
Other financial liabilities	13	614 729	1 694 349
Consumer deposits	14	572 224	538 253
Finance lease obligation	15	387 460	636 931
Payables from exchange transactions	16	15 455 899	13 927 271
Employee benefit obligation	17	418 000	451 000
Unspent conditional grants and receipts	18	1 679 915	-
VAT payable		253 021	47 946
		19 381 248	**17 295 750**
Non-Current Liabilities			
Other financial liabilities	13	11 237 529	11 848 214
Finance lease obligation	15	11 977	360 974
Employee benefit obligation	17	9 777 000	9 618 000
Provisions	19	11 923 202	10 259 078
		32 949 708	**32 086 266**
Total Liabilities		**52 330 956**	**49 382 016**
Net Assets		**356 598 047**	**359 213 226**

* See Note 46

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Net Assets			
Reserves			
Accumulated surplus		356 598 047	359 213 226
Total Net Assets		**356 598 047**	**359 213 226**

* See Note 46

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Service charges	21	33 424 012	32 202 116
Rental of facilities and equipment	22	290 488	882 534
Interest received (trading)		690 834	496 769
Licences and permits		5 505	1 350
Sale of game		-	158 522
Other income	23	669 592	1 019 102
Interest received - investment		1 465 076	426 734
Dividends received		51 104	258 565
Property rates	24	11 122 728	7 477 676
Government grants and subsidies	25	97 926 749	98 624 108
Fines		299 000	259 400
Total revenue		**145 945 088**	**141 806 876**
Expenditure			
Employee costs	26	(44 865 947)	(38 004 752)
Remuneration of councillors	27	(4 175 336)	(4 011 423)
Depreciation and amortisation	28	(20 156 927)	(19 162 925)
Finance costs	29	(4 026 599)	(3 506 490)
Movement in bad debt provision	30	(16 532 694)	(4 112 517)
Repairs and maintenance		(4 501 201)	(6 686 204)
Bulk purchases	31	(32 030 314)	(28 337 970)
Contracted services	32	(34 268)	(14 519)
General Expenses	33	(22 298 222)	(21 771 343)
Total expenditure		**(148 621 508)**	**(125 608 143)**
Operating (deficit) surplus		**(2 676 420)**	**16 198 733**
Loss on disposal of assets and liabilities		(11 878)	(70 153)
Fair value adjustments - game	9	53 198	156 274
Actuarial loss / (gain)		19 919	74 075
		61 239	**160 196**
(Deficit) surplus for the year		**(2 615 181)**	**16 358 929**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	342 830 555	342 830 555
Adjustments		
Correction of errors (note 46)	23 742	23 742
Balance at 01 July 2012 as restated*	**342 854 297**	**342 854 297**
Changes in net assets		
Surplus/(deficit) for the period	16 358 929	16 358 929
Total changes	16 358 929	16 358 929
Opening balance as previously reported	358 594 794	358 594 794
Adjustments		
Correction of errors (note 46)	618 434	618 434
Restated* Balance at 01 July 2013 as restated*	**359 213 228**	**359 213 228**
Changes in net assets		
Surplus/(deficit) for the period	(2 615 181)	(2 615 181)
Total changes	(2 615 181)	(2 615 181)
Balance at 30 June 2014	**356 598 047**	**356 598 047**

* See Note 46

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Taxation		5 640 245	8 188 320
Sale of goods and services		29 516 714	29 751 421
Grants		102 259 152	98 295 029
Interest income		1 465 076	426 734
Dividends received		51 104	258 565
Other cash item (game)		-	(158 519)
		138 932 291	136 761 550
Payments			
Employee costs		(48 915 283)	(41 734 175)
Suppliers		(55 582 348)	(62 658 389)
Finance costs		(3 906 220)	(3 211 921)
		(108 403 851)	(107 604 485)
Net cash flows from operating activities	36	**30 528 440**	**29 157 065**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(29 400 049)	(30 284 190)
Proceeds from sale of property, plant and equipment	12	18 269	333 483
Proceeds from sale of financial assets		1	-
Net cash flows from investing activities		**(29 381 779)**	**(29 950 707)**
Cash flows from financing activities			
Movement in borrowings		(1 690 305)	491 620
Finance lease payments		(718 847)	(807 221)
Net cash flows from financing activities		**(2 409 152)**	**(315 601)**
Net increase/(decrease) in cash and cash equivalents		**(1 262 491)**	**(1 109 243)**
Cash and cash equivalents at the beginning of the year		14 110 511	15 219 754
Cash and cash equivalents at the end of the year	3	**12 848 020**	**14 110 511**

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	7 656 500	27 014 224	**34 670 724**	33 424 012	**(1 246 712)**	
Rental of facilities and equipment	625 200	(309 000)	**316 200**	290 488	**(25 712)**	
Interest received (trading)	-	-	**-**	690 834	**690 834**	
Licences and permits	-	-	**-**	5 505	**5 505**	
Other income - (rollup)	784 000	494 000	**1 278 000**	669 592	**(608 408)**	
Interest received - investment	420 000	310 000	**730 000**	1 465 076	**735 076**	
Gains on disposal of assets	-	200 000	**200 000**	-	**(200 000)**	
Dividends received	100 000	(10 000)	**90 000**	51 104	**(38 896)**	
Total revenue from exchange transactions	**9 585 700**	**27 699 224**	**37 284 924**	**36 596 611**	**(688 313)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	-	3 485 455	**3 485 455**	11 122 728	**7 637 273**	
Property rates - penalties imposed	-	600 000	**600 000**	-	**(600 000)**	
Government grants & subsidies	66 298 999	(849 999)	**65 449 000**	97 926 749	**32 477 749**	
Transfer revenue						
Fines	100 000	(10 000)	**90 000**	299 000	**209 000**	
Total revenue from non-exchange transactions	**66 398 999**	**3 225 456**	**69 624 455**	**109 348 477**	**39 724 022**	
Total revenue	**75 984 699**	**30 924 680**	**106 909 379**	**145 945 088**	**39 035 709**	
Expenditure						
Employee costs	(44 184 164)	4 056 164	**(40 128 000)**	(44 865 947)	**(4 737 947)**	
Remuneration of councillors	(4 353 960)	(505 040)	**(4 859 000)**	(4 175 336)	**683 664**	
Depreciation and amortisation	-	-	**-**	(20 156 927)	**(20 156 927)**	
Finance costs	(2 106 688)	2 688	**(2 104 000)**	(4 026 599)	**(1 922 599)**	
Debt impairment	(2 500 500)	-	**(2 500 500)**	(16 532 694)	**(14 032 194)**	
Repairs and maintenance	(6 020 300)	208 300	**(5 812 000)**	(4 501 201)	**1 310 799**	
Bulk purchases	(28 187 500)	4 987 500	**(23 200 000)**	(32 030 314)	**(8 830 314)**	
Contracted Services	(12 000)	(18 000)	**(30 000)**	(34 268)	**(4 268)**	
General Expenses	(17 797 546)	(13 044 454)	**(30 842 000)**	(22 298 222)	**8 543 778**	
Total expenditure	**(105 162 658)**	**(4 312 842)**	**(109 475 500)**	**(148 621 508)**	**(39 146 008)**	
Operating deficit	**(29 177 959)**	**26 611 838**	**(2 566 121)**	**(2 676 420)**	**(110 299)**	
Loss on disposal of assets and liabilities	-	-	**-**	(11 878)	**(11 878)**	
Gain on fair value adjustment	-	-	**-**	53 198	**53 198**	
Fair value adjustments	-	-	**-**	19 919	**19 919**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	-	**-**	**-**	**61 239**	**61 239**	
Deficit before taxation	**(29 177 959)**	**26 611 838**	**(2 566 121)**	**(2 615 181)**	**(49 060)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(29 177 959)**	**26 611 838**	**(2 566 121)**	**(2 615 181)**	**(49 060)**	

Accounting Policies

1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

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, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Allowance for slow moving, damaged and obsolete stock

An allowance is recognised to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

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 19 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of 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 17.

Accounting Policies

1.1 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 impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Biological assets that form part of an agricultural activity

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets that form part of an agricultural activity or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of a biological assets that form part of an agricultural activity is included in surplus or deficit for the period in which it arises.

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.

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

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

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

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

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

Accounting Policies

1.3 Investment property (continued)

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.

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.

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Item	**Average useful life**
Land and buildings	
• Land	Indefinite
• Buildings	30 - 45 years
Leased assets	5 years
Furniture and fixtures	6 years
IT equipment	3 years
Infrastructure	
• Electricity	20 years
• Roads and paving	15 - 30 years
• Sewerage	20 - 30 years
• Water	20 - 30 years
Other property, plant and equipment	10 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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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 Financial instruments

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

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

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

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

1.5 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

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

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

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

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

1.5 Financial instruments (continued)

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Accounting Policies

1.5 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

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

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

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

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

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

1.5 Financial instruments (continued)

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.5 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

1.5 Financial instruments (continued)

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

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

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

Presentation

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

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

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

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

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

1.6 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.

Accounting Policies

1.6 Leases (continued)

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.

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.

Accounting Policies

1.7 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.

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.

1.8 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.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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.

1.9 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.

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

Accounting Policies

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

(b) the number of production or similar units expected to be obtained from the asset by the municipality.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits

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

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

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

Accounting Policies

1.10 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Accounting Policies

1.11 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an 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.

Accounting Policies

1.11 Provisions and contingencies (continued)

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.

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.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 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.

Accounting Policies

1.12 Revenue from exchange transactions (continued)

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.

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 .

Accounting Policies

1.12 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

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

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

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

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

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

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

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue 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.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

1.13 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.14 Investment income

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

1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

Irregular expenditure 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

1.20 Use of estimates

The preparation of 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 financial statements are disclosed in the relevant sections of the 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.

1.21 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.

1.22 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 an accrual basis and presented by programmes linked to performance outcome objectives.

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

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

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

The municipality makes use of conservative budgeting techniques and can be seen as the main reason for the material differences between actual and expected cash flows as per page 12.

Comparative information is not required.

1.23 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.

Accounting Policies

1.23 Related parties (continued)

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

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

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

1.24 Commitments

'Commitment' may be referred to as the intention to commit to an outflow from the municipality of resources embodying economic benefits.

Generally, a commitment arises when a decision is made to incur a liability in the form of a purchase contract (or similar documentation). Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules.

These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement.

The municipality may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the municipality has contracted for expenditure but work has not commenced and no payments have been made.

Accounting Policies

1.25 Events after the reporting date

Events after the reporting date are those that occur between the end of the reporting period and when the financial statements are authorized for issue.

Events after the end of reporting period may be classified into two types:
Adjusting Events - Those events that provide further evidence about conditions that existed at the end of reporting period.
Non-Adjusting Events - Those events that reflect conditions that arose after the end of reporting period.

If any events occur after the end of the reporting period that provide further evidence of conditions that existed at the end of reporting period (i.e. Adjusting Events), then the financial statements must be adjusted accordingly.

The municipality does not adjust the financial statements in respect of those events after the end of reporting period that reflect conditions that arose after the end of reporting period (i.e. Non-Adjusting Events).

The nature and estimate of the financial impact of material non-adjusting events shall be disclosed in the financial statements.

Non-Adjusting Events are considered material if they could influence the economic and financial decisions of the users of 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 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	Low
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	Low
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	Low
• GRAP 12 (as revised 2012): Inventories	01 April 2013	Low
• GRAP 13 (as revised 2012): Leases	01 April 2013	Low
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	Low
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	Low
• IGRAP16: Intangible assets website costs	01 April 2013	Low
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	Low

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2016	Low
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Low
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Low
• GRAP 107: Mergers	01 April 2014	Low
• GRAP 20: Related parties	01 April 2014	
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	Low
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	Low
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	Low
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	Low

Notes to the Financial Statements

2. New standards and interpretations (continued)

• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	Low
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	Low
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	Low
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	
• GRAP32: Service Concession Arrangements: Grantor	01 April 2015	Low
• GRAP108: Statutory Receivables	01 April 2015	
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	Low

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	4 477 781	2 547 586
Short-term deposits	8 370 239	11 562 925
	12 848 020	**14 110 511**

Limited cession over cash and cash equivalents

Investment account 9108352550	1 500 000	-

An investment account was opened, ceded and pledged as security for an ESKOM electricity deposit for the waste water project in Phahameng.

Notes to the Financial Statements

Figures in Rand	2014	2013

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - Cheque account - 810142227	4 438 175	2 543 746	5 718 004	4 477 781	2 543 746	5 718 004
ABSA Bank - Mone market account	1 620 042	1 540 638	4 473 716	1 620 042	1 540 638	4 473 716
Nedbank - 32 day notice account	-	22 288	5 028 034	-	22 288	5 028 034
FNB - Investment account	-	10 000 000	-	-	10 000 000	-
ABSA Bank - 32 day notice account	113 691	-	-	113 691	-	-
ABSA Bank - 32 day notice account	4 087 093	-	-	4 087 093	-	-
ABSA Bank - Investment account - 9291998227	2 549 414	-	-	2 549 414	-	-
Total	**12 808 415**	**14 106 672**	**15 219 754**	**12 848 021**	**14 106 672**	**15 219 754**

4. Consumer debtors

	2014	2013
Gross balances		
Rates	10 277 331	4 794 848
Electricity	2 320 789	2 642 979
Water	8 133 827	6 783 161
Sewerage	12 273 050	9 969 928
Refuse	8 615 775	6 976 233
Housing rental	1 400 652	1 335 028
	43 021 424	**32 502 177**
Less: Allowance for impairment		
Rates	(10 161 919)	(4 741 525)
Electricity	(1 507 945)	(265 160)
Water	(7 939 011)	(4 871 212)
Sewerage	(12 089 678)	(8 414 142)
Refuse	(8 526 616)	(5 533 952)
Housing rental	(1 050 331)	(1 061 521)
	(41 275 500)	**(24 887 512)**

Notes to the Financial Statements

Figures in Rand	2014	2013

4. Consumer debtors (continued)

Net balance		
Rates	115 412	53 323
Electricity	812 844	2 377 819
Water	194 816	1 911 949
Sewerage	183 372	1 555 786
Refuse	89 159	1 442 281
Housing rental	350 321	273 507
	1 745 924	**7 614 665**

Rates		
Current (0 -30 days)	117 666	69 741
31 - 60 days	109 991	62 760
61 - 90 days	102 217	60 488
91 - 120 days	99 726	58 901
> 120 days	9 847 731	4 542 958
Impairment	(10 161 919)	(4 741 525)
	115 412	**53 323**

Electricity		
Current (0 -30 days)	219 379	92 405
31 - 60 days	251 520	40 463
61 - 90 days	70 112	22 339
91 - 120 days	64 468	16 704
> 120 days	1 715 310	2 471 068
Impairment	(1 507 945)	(265 160)
	812 844	**2 377 819**

Water		
Current (0 -30 days)	194 986	213 371
31 - 60 days	169 541	206 029
61 - 90 days	139 526	195 643
91 - 120 days	153 109	188 465
> 120 days	7 476 665	5 979 653
Impairment	(7 939 011)	(4 871 212)
	194 816	**1 911 949**

Notes to the Financial Statements

Figures in Rand	2014	2013

4. Consumer debtors (continued)

Sewerage		
Current (0 -30 days)	204 952	252 046
31 - 60 days	200 566	243 291
61 - 90 days	199 174	240 254
91 - 120 days	196 555	240 962
> 120 days	11 471 803	8 993 375
Impairment	(12 089 678)	(8 414 142)
	183 372	**1 555 786**

Refuse		
Current (0 -30 days)	147 868	163 262
31 - 60 days	145 214	158 774
61 - 90 days	143 061	159 538
91 - 120 days	139 441	154 898
> 120 days	8 040 191	6 339 761
Impairment	(8 526 616)	(5 533 952)
	89 159	**1 442 281**

Housing rental		
Current (0 -30 days)	4 294	3 642
31 - 60 days	4 294	2 809
61 - 90 days	61 539	2 976
91 - 120 days	4 613	3 143
> 120 days	1 325 912	1 322 458
Impairment	(1 050 331)	(1 061 521)
	350 321	**273 507**

Notes to the Financial Statements

Figures in Rand	2014	2013

4. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	738 444	651 977
31 - 60 days	644 907	667 002
61 - 90 days	535 189	592 785
> 90 days	30 457 409	26 736 522
	32 375 949	**28 648 286**

Industrial/ commercial		
Current (0 -30 days)	212 359	65 160
31 - 60 days	216 689	63 557
61 - 90 days	117 041	32 288
> 90 days	9 824 726	1 465 222
	10 370 815	**1 626 227**

National and provincial government		
Current (0 -30 days)	(61 659)	16 390
31 - 60 days	19 530	11 504
61 - 90 days	63 398	7 521
> 90 days	253 391	124 947
	274 660	**160 362**

Total		
Consumer debtors	43 021 424	24 887 512
	43 021 424	24 887 512
Less: Allowance for impairment	(41 275 500)	(17 272 847)
	1 745 924	**7 614 665**

Less: Provision for debt impairment		
Consumer debtors	(41 275 500)	(24 887 512)

Reconciliation of allowance for impairment		
Balance at beginning of the year	(24 887 512)	(25 278 466)
Contributions to allowance	(16 401 516)	(4 112 517)
Debt impairment written off against allowance	13 528	4 503 471
	(41 275 500)	**(24 887 512)**

Figures in Rand	2014	2013

4. Consumer debtors (continued)

Receivables from exchange and non-exchange transactions

Exchange transactions		
Electricity	2 320 789	2 642 979
Water	8 133 827	6 783 161
Sewerage	12 273 050	9 969 928
Refuse	8 615 775	6 976 233
Housing rental	1 400 652	1 335 028
	32 744 093	**27 707 329**

Non-exchange transactions		
Rates	10 277 331	4 794 848

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 30). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

The municipality's impairment methodology is based on the assumptions listed below.

Debtor types to be fully impaired:
1. Non-indigents, schools, industrial, municipal, business, government, farms, hospital, church, small businesses - Council approved write-offs
2. Indigents - Impair all ageing buckets

Debtor types where accounts older than 90 days were tested for recoverability:
Non-indigents, schools, industrial, municipal, business, government, farms, hospital, church, small businesses

The municipality's discounting methodology is based on the assumptions listed below.

The ability to pay is determined by allocating a weight to payments made in different months. Recent month's payments are assigned a higher weight as the trend is more likely to continue than payments more than 12 months ago.

The discount rate is linked to the interest payable on the DBSA loans which are the major source of credit funding of the municipality.

Notes to the Financial Statements

Figures in Rand	2014	2013

5. Inventories

Water	11 738	27 286
Fuel (Diesel)	179 066	42 820
Electrical	159 954	91 164
Water equipment	8 607	53 646
Mechanical	10 495	4 812
	369 860	**219 728**

6. Receivables from exchange transactions

Prepayments	538 260	156 149
Other receivables	559 700	530 481
	1 097 960	**686 630**

7. Receivables from non-exchange transactions

Government grants and subsidies	-	2 353 488

8. VAT receivable

VAT receivable	772 684	801 756

9. Biological assets that form part of an agricultural activity

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets - game	1 184 674	-	1 184 674	1 131 476	-	1 131 476

Reconciliation of biological assets that form part of an agricultural activity - 2014

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - game	1 131 476	53 198	1 184 674

Figures in Rand	2014	2013

9. Biological assets that form part of an agricultural activity (continued)

Reconciliation of biological assets that form part of an agricultural activity - 2013

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - game	816 680	314 796	1 131 476

Non - Financial information

Quantities of each biological asset	2014	2013
Blesbok	55	39
Oryx	48	40
Kudu	20	20
Lechwe	3	4
Impala	20	14
Red Hartebeest	10	7
Springbok	267	281
Black Springbok	21	20
Black Wildebeest	149	102
Ostrich	13	15
Zebra	11	10
Horse	3	2
	620	**554**

Methods and assumptions used in determining fair value

The latest bid prices from game auctions were used as fair values.

10. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	23 876 000	-	23 876 000	23 876 000	-	23 876 000

10. Investment property (continued)

Reconciliation of investment property - 2014

	Opening balance	Additions	Other changes, movements	Fair value adjustments	Total
Investment property	23 876 000	-	-	-	23 876 000

Reconciliation of investment property - 2013

	Opening balance	Additions	Other changes, movements	Fair value adjustments	Total
Investment property	23 876 000	-	-	-	23 876 000

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 effective date of the revaluations was 30 June 2014. Revaluations were performed by an independent valuer, Mr R Pretorius [Quantity Surveyor, Professional Associated Valuer], of Modisenyane Property Consultants CC. Pretorius is not connected to the municipality and have recent experience in location and category of the investment property being valued.

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

Amounts recognised in surplus and deficit for the year.

	2014	2013
Rental revenue from investment property	290 488	882 534

11. Other financial assets

	2014	2013
Designated at fair value		
Unlisted shares	917 100	897 182
49 383 shares held in Senwes Limited		
75 732 shares held in Senwesbel Limited		
Non-current assets		
Designated at fair value	917 100	897 182

Notes to the Financial Statements

Figures in Rand	2014	2013

12. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	23 676 734	(1 679 397)	21 997 337	23 695 194	(1 119 598)	22 575 596
Buildings	104 061 121	(38 977 050)	65 084 071	99 836 709	(33 713 748)	66 122 961
Leasehold property	2 903 332	(2 637 083)	266 249	2 865 475	(2 293 341)	572 134
Furniture and fixtures	1 703 784	(1 021 068)	682 716	1 268 348	(842 856)	425 492
IT equipment	151 696	(72 917)	78 779	57 204	(31 787)	25 417
Infrastructure	342 193 965	(97 769 896)	244 424 069	342 193 965	(84 509 875)	257 684 090
Other property, plant and equipment	11 222 557	(9 597 984)	1 624 573	10 583 015	(9 098 874)	1 484 141
Capital work in progress	31 958 987	-	31 958 987	8 013 975	-	8 013 975
Total	**517 872 176**	**(151 755 395)**	**366 116 781**	**488 513 885**	**(131 610 079)**	**356 903 806**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	22 575 596	-	(18 460)	-	(559 799)	21 997 337
Buildings	66 122 961	-	-	4 224 412	(5 263 302)	65 084 071
Leasehold property	572 134	37 857	-	-	(343 742)	266 249
Furniture and fixtures	425 492	435 244	-	-	(178 020)	682 716
IT equipment	25 417	100 728	(4 283)	-	(43 083)	78 779
Infrastructure	257 684 090	-	-	-	(13 260 021)	244 424 069
Other property, plant and equipment	1 484 141	656 796	(7 404)	-	(508 960)	1 624 573
Capital work in progress	8 013 975	28 169 424	-	(4 224 412)	-	31 958 987
	356 903 806	**29 400 049**	**(30 147)**	**-**	**(20 156 927)**	**366 116 781**

Notes to the Financial Statements

Figures in Rand	2014	2013

12. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	23 313 755	-	(178 360)	-	(559 799)	22 575 596
Land and buildings	61 924 328	162 649	-	8 708 822	(4 672 838)	66 122 961
Leasehold property	830 700	86 060	-	-	(344 626)	572 134
Furniture and fixtures	421 678	152 933	-	-	(149 119)	425 492
IT equipment	41 829	5 999	(3 291)	-	(19 120)	25 417
Infrastructure	188 683 143	-	-	81 872 521	(12 871 574)	257 684 090
Other property, plant and equipment	1 289 411	962 565	(221 985)	-	(545 850)	1 484 141
Capital work in progress	69 681 334	28 913 984	-	(90 581 343)	-	8 013 975
	346 186 178	**30 284 190**	**(403 636)**	**-**	**(19 162 926)**	**356 903 806**

Included in the cost of land is the capitalised rehabilitation costs relating to a borrow pit and two landfill sites which are situated in Bultfontein farm 396 and Kameeldoorn 35.

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

13. Other financial liabilities

	2014	2013
At amortised cost		
Annuity loans	11 852 258	13 542 563
The annuity loans comprise two DBSA loans. The endowments are made on a six-monthly basis. The last loan will be redeemed on 31 December 2024. The loans carry interest at 11% and 14% per annum respectively.		
Non-current liabilities		
At amortised cost	11 237 529	11 848 214
Current liabilities		
At amortised cost	614 729	1 694 349

14. Consumer deposits

	2014	2013
Electricity	337 032	315 745
Water	235 192	222 508
	572 224	**538 253**

Notes to the Financial Statements

Figures in Rand	2014	2013

15. Finance lease obligation

Minimum lease payments due		
- within one year	433 345	810 002
- in second to fifth year inclusive	12 450	420 220
	445 795	1 230 222
less: future finance charges	(46 359)	(216 559)
Present value of minimum lease payments	**399 436**	**1 013 663**
Present value of minimum lease payments due		
- within one year	387 460	636 931
- in second to fifth year inclusive	11 976	376 732
	399 436	**1 013 663**
Non-current liabilities	11 977	360 974
Current liabilities	387 460	636 931
	399 437	**997 905**

16. Payables from exchange transactions

Trade payables	6 664 178	3 043 078
Payments received in advanced	2 084	8 300
Accrued leave pay	4 688 503	3 965 169
Accrued bonus	983 727	801 645
Deposits received	2 000	2 300
Cash suspense accounts	910 456	742 811
Other payables	2 034 460	5 363 968
Retention payables	170 491	-
	15 455 899	**13 927 271**

Included in the trade payables balance is an amount of R 2 528 977 due to DWAF which has been under dispute since November 2008.

Notes to the Financial Statements

Figures in Rand	2014	2013

17. Employee benefit obligations

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

Carrying value		
Post-employment medical aid liability	(7 056 000)	(6 584 000)
Long service awards liability	(3 139 000)	(3 485 000)
	(10 195 000)	**(10 069 000)**

Non-current liabilities	(9 777 000)	(9 618 000)
Current liabilities	(418 000)	(451 000)
	(10 195 000)	**(10 069 000)**

Net expense recognised in the statement of financial performance

Current service cost	451 000	472 000
Interest cost	765 000	765 000
Actuarial (gains) losses	(474 488)	(197 506)
	741 512	**1 039 494**

Notes to the Financial Statements

Figures in Rand	2014	2013

17. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.96 %	7.40 %
Consumer price inflation	6.33 %	5.66 %
Normal salary increase rate	7.33 %	6.66 %
Net effective discount rate	0.59 %	0.69 %

Notes to the Financial Statements

Figures in Rand	2014	2013

17. Employee benefit obligations (continued)

The medical contribution and long service provisions are actuarial calculations which were performed by ZAQ.

ZAQ is an actuarial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes.

Their team has done a large number of these calculations for private and public sector organizations.

Members of their executive committee include:
- Niel Fourie FASSA, CERA
- Pieter Wasserfall B-Comm Actuarial Science
- Dennis De Wet B-Comm (Hons) Financial Analysis

Long service award liability

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee’s long service award is projected to the next interval by allowing for future salary growth.

Long service benefits are awarded in the form of leave days and a percentage of salary. The awarded leave days have been converted into a percentage of the employee’s annual salary. The conversion is based on a 250 working day year.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. The calculation also allows for mortality, retirements and withdrawals from service.

The accrued liability is determined on the basis that each employee’s long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

The two most important financial variables used in the valuation are the discount rate and salary inflation.

Post-employment medical aid liabilities

The liability relates to future medical expenses which will be incurred by the municipality on behalf of retired employees.

The future cash flows will continue until the mortality of all members. The mortality is therefore the uncertainty relating to the provision.

Figures in Rand	2014	2013

17. Employee benefit obligations (continued)

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the date of calculation.

The calculation also allows for mortality. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement.

Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. It is also assumed that all active members will remain on the same medical aid option.

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets had been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

The two most important financial variables used in our valuation are the discount- and medical aid inflation rates.

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2014	2013
Unspent conditional grants and receipts		
Skills Development Grant	117 244	-
Free State Provincial Grant	1 557 671	-
Study scheme grant	5 000	-
	1 679 915	**-**

See note 25 for reconciliation of grants from National/Provincial Government.

Notes to the Financial Statements

Figures in Rand	2014	2013

19. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	10 259 078	1 664 124	11 923 202

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	9 353 592	905 486	10 259 078

Environmental rehabilitation provision

Notes to the Financial Statements

Figures in Rand	2014	2013

19. Provisions (continued)

Borrow pits

The provision relates to the estimated future rehabilitation costs relating to two existing open borrow pits in Bultfontein.

The total area of the borrow pits to be rehabilitated is 9 525 square meters.

The expected date of rehabilitation is in 2032 and therefore the expected remaining useful life is estimated at 18 years.

The useful life and expected date of rehabilitation could decrease depending on the extent of material needed for upcoming developments.

The current weighted average cost of borrowings of the municipality is 11% and this percentage was used as discount factor in future rehabilitation costs.

Landfill sites

The provision relates to the estimated future rehabilitation costs relating to two existing landfill sites in Bultfontein and Hoopstad respectively.

The expected date of rehabilitation is in 2032 and therefore the expected remaining useful life is estimated at 18 years.

It assumed that the current population growth of the town and therefore the dumping rate will not significantly change over the useful life of the landfill sites.

The current weighted average cost of borrowings of the municipality is 11% and this percentage was used as discount factor in future rehabilitation costs.

The evaluation of rehabilitation procedures and costs was performed by NEP Consulting Engineers.

Notes to the Financial Statements

Figures in Rand	2014	2013

20. Revenue

Service charges	33 424 012	32 202 116
Rental of facilities and equipment	290 488	882 534
Interest received (trading)	690 834	496 769
Licences and permits	5 505	1 350
Sale of game	-	158 522
Other income	669 592	1 019 102
Interest received - investment	1 465 076	426 734
Dividends received	51 104	258 565
Property rates	11 122 728	7 477 676
Government grants and subsidies	97 926 749	98 624 108
Fines	299 000	259 400
	145 945 088	**141 806 876**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	33 424 012	32 202 116
Rental of facilities and equipment	290 488	882 534
Interest received (trading)	690 834	496 769
Licences and permits	5 505	1 350
Sale of game	-	158 522
Other income - (rollup)	669 592	1 019 102
Interest received - investment	1 465 076	426 734
Dividends received	51 104	258 565
	36 596 611	**35 445 692**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	11 122 728	7 477 676
Transfer revenue		
Government grants & subsidies	97 926 749	98 624 108
Fines	299 000	259 400
	109 348 477	**106 361 184**

21. Service charges

Sale of electricity	20 148 203	19 645 964
Sale of water	4 538 711	4 915 378
Sewerage and sanitation charges	5 231 017	4 925 589
Refuse removal	3 506 081	2 715 185
	33 424 012	**32 202 116**

Notes to the Financial Statements

Figures in Rand	2014	2013

22. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	281 398	878 956
Rental of equipment	9 090	3 578
	290 488	**882 534**

23. Other income

Building plan fees	1 100	-
Insurance revenue	51 438	-
Commission received	91 442	195 485
Sundry income	98 150	444 152
Grave fees	147 271	144 134
Connection fees	105 600	100 067
Gravel sales	14 304	14 151
Building plan fees	20 321	20 603
Late payment penalty	122 124	74 140
Opening of graves	13 402	21 466
Special meter readings	4 440	4 904
	669 592	**1 019 102**

24. Property rates

Rates received

Property rates	11 122 728	7 477 676

Notes to the Financial Statements

Figures in Rand	2014	2013

25. Government grants and subsidies

Equitable share	61 908 999	62 058 000
Municipal Infrastructure Grant	28 809 000	30 344 000
Municipal Systems Improvement Grant	890 000	800 000
Financial Management Grant	1 650 000	1 500 000
Lotto Grant	-	607 650
Free State Provincial Grant	3 442 330	1 746 491
COGTA Grant	-	185 500
District Municipality Grant	50 000	50 000
EPWP Government Grant (operating)	1 042 030	1 000 000
Sports and recreation grant	72 867	-
Skills Development Grant	61 523	332 467
	97 926 749	**98 624 108**

Equitable Share

The municipality received R 61 908 999 as Equitable Share in 2013/2014. In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of which is funded from the grant.

Municipal Infrastructure Grant

Current-year receipts	28 809 000	30 344 000
Conditions met - transferred to revenue	(28 809 000)	(30 344 000)
	-	**-**

The grant is utilised to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure providing basic services for the benefit of poor households. The grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas.

Skills Development Grant

Current-year receipts	178 768	216 825
Conditions met - transferred to revenue	(61 524)	115 643
Other	-	(332 468)
	117 244	**-**

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

A workplace skills plan and training report must be submitted to LGSETA in compliance with the Skills Development Act before the unspent amount will be transferred.

Notes to the Financial Statements

Figures in Rand	2014	2013

25. Government grants and subsidies (continued)

Lotto Grant

Balance unspent at beginning of year	-	607 650
Current-year receipts	-	(607 650)
	-	**-**

The grant was utilised in the construction of an athletics track in Tikwana.

Municipal Systems Improvement Grant

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

Finance Management Grant

Current-year receipts	1 650 000	1 500 000
Conditions met - transferred to revenue	(1 650 000)	(1 500 000)
	-	**-**

Free State Provincial Grant

Current-year receipts	5 000 000	1 746 491
Conditions met - transferred to revenue	(3 442 329)	(1 746 491)
	1 557 671	**-**

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

The grant was utilised in the fencing of a cemetry in the municipal area.

COGTA grant

Current-year receipts	-	8 414 652
Conditions met - transferred to revenue	-	(8 414 652)
	-	**-**

District Municipality Grant

Current-year receipts	50 000	50 000
Conditions met - transferred to revenue	(50 000)	(50 000)
	-	**-**

Notes to the Financial Statements

Figures in Rand	2014	2013

25. Government grants and subsidies (continued)

The grant was received to assist the municipality in the redemption of their DBSA loan.

EPWP government grant (operating)

Current-year receipts	1 042 030	1 000 000
Conditions met - transferred to revenue	(1 042 030)	(1 000 000)
	-	-

Included in the current year receipts in the fair value of an asset (R 42 030) donated by the EPWP. The grant was received to assist the municipality in job creation.

Sports and recreation grant

Current-year receipts	72 867	-
Conditions met - transferred to revenue	(72 867)	-
	-	-

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

Study scheme grant

Current-year receipts	5 000	-

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

COGTA grant

Current-year accruals	-	185 500
Conditions met - transferred to revenue	-	(185 500)
	-	-

Notes to the Financial Statements

Figures in Rand	2014	2013

26. Employee related costs

Basic	27 456 219	23 933 855
Medical aid - company contributions	2 321 183	3 055 690
UIF	283 727	254 604
SDL	382 375	335 108
Leave pay provision charge	2 830 395	1 724 178
Other short term costs	16 752	15 889
Defined contribution plans	4 893 582	4 498 031
Travel, motor car, accommodation, subsistence and other allowances	3 027 746	2 532 249
Overtime payments	3 157 249	2 050 850
Long-service awards	380 000	(416 000)
Housing benefits and allowances	14 782	14 782
Cellphone allowances	101 937	-
Termination benefits	-	5 516
	44 865 947	**38 004 752**

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

Remuneration of Section 57 Managers

Remuneration of TL Mkhwane (Municipal Manager)

Annual remuneration	902 643	207 000
Car allowance	101 947	23 927
Contributions to UIF, medical and pension funds	352 226	75 342
Other bonuses	55 500	-
	1 412 316	**306 269**

Remuneration of SS Rabanye (Executive Manager Corporate Services)

Annual remuneration	626 839	537 089
Car allowance	99 249	87 594
Contributions to UIF, medical and pension funds	363 002	185 355
Other bonuses	50 200	40 250
	1 139 290	**850 288**

Remuneration of NL Moletsane (Chief Financial Officer)

Annual remuneration	744 585	174 000
Car allowance	119 995	27 164
Contributions to UIF, medical and pension funds	171 278	47 640
	1 035 858	**248 804**

Remuneration of BP Dikoko (Executive Manager Technical Services)

Annual remuneration	642 172	153 000
Car allowance	77 571	22 250

Figures in Rand	2014	2013

26. Employee related costs (continued)

Contributions to UIF, medical and pension funds	232 528	51 462
Other bonuses	38 550	-
	990 821	**226 712**

Remuneration ZK Tindleni (Executive Manager Community Services)

Annual remuneration	627 121	150 000
Car allowance	100 812	25 637
Contributions to UIF, medical and pension funds	242 201	62 463
Other bonuses	37 688	-
	1 007 822	**238 100**

27. Remuneration of councillors

Councillors	3 496 345	3 368 179
Councillors’ pension contribution	477 499	474 232
Councillors' contribution to medical aid	201 492	169 012
	4 175 336	**4 011 423**

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council-owned vehicle for official duties.

The Mayor and Speaker have full-time drivers.

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

28. Depreciation and amortisation

Property, plant and equipment	20 156 927	19 162 925

29. Finance costs

Non-current borrowings	1 957 023	1 540 654
Finance leases	120 379	294 569
Unwinding costs on provisions	1 949 197	1 671 267
	4 026 599	**3 506 490**

Notes to the Financial Statements

Figures in Rand	2014	2013

30. Debt impairment

Debt impairment	16 532 694	4 112 517

The municipality provides for expected credit losses relating to consumer debtors.

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

If there is objective evidence that an impairment loss on a financial asset has occurred, the loss is recognised in surplus or deficit.

31. Bulk purchases

Electricity	26 562 700	25 285 762
Water	5 467 614	3 052 208
	32 030 314	**28 337 970**

32. Contracted services

Operating Leases	34 268	14 519

The operating lease relates to a municipal radio tower which is situated on private property. There is a contractual agreement between the municipality and the owners of the property and this agreement will end on the first of April 2016.

Notes to the Financial Statements

Figures in Rand	2014	2013

33. General expenses

Advertising	359 664	240 913
Auditors remuneration	2 574 623	2 255 197
Bank charges	245 466	218 494
Cleaning	60 477	46 908
Computer expenses	267 540	-
Consulting and professional fees	819 631	593 267
Consumables	3 486	1 484
Entertainment	101 548	87 142
Insurance	401 724	329 532
Community development and training	154 410	-
Fuel and oil	1 936 096	1 650 574
Printing and stationery	1 055 950	714 452
Protective clothing	189 664	137 243
Royalties and license fees	254 019	541
Security (Guarding of municipal property)	21 292	-
Software expenses	1 956	-
Subscriptions and membership fees	1 125 068	1 191 926
Telephone and fax	857 312	714 828
Training	578 442	547 534
Travel - local	786 086	823 958
Radio and television licenses	1 193	-
Vehicle licences	74 878	73 019
Valuation costs	267 544	944 160
Sewerage assessment (Green Drop)	114 285	187 313
Operating grant expenditure	4 795 278	4 199 968
Water quality assessment (Blue Drop)	26 000	187 313
Internal audit expense	246 856	-
Other expenses	4 977 734	6 625 577
	22 298 222	**21 771 343**

Other expenses include the following amounts:
- Chemicals for water purification R 1 682 875
- Departmental Levies on Electricity R 1 456 682
- Payments made to the IDP R 379 903
- Ward Committee Members R 467 000
- Computer Support services R 282 467
- Branding of Offices R 158 158

Notes to the Financial Statements

Figures in Rand	2014	2013

34. Investment revenue

Dividend revenue		
Unlisted financial assets - Local	51 104	258 565
Interest revenue		
ABSA - current account	67 805	2 106
Interest - call accounts	1 381 948	417 192
Interest received - other	15 323	7 436
	1 465 076	**426 734**
	1 516 180	**685 299**

35. Auditors' remuneration

Fees	2 574 623	2 255 197

36. Cash generated from operations

(Deficit) surplus	(2 615 181)	16 358 929
Adjustments for:		
Depreciation and amortisation	20 156 927	19 162 925
Loss on sale of assets and liabilities	11 878	70 153
Fair value adjustment on biological assets	(53 198)	(156 274)
Fair value adjustments	(19 919)	(74 075)
Finance costs - Finance leases	120 379	294 569
Debt impairment	16 532 694	4 112 517
Movements in retirement benefit assets and liabilities	126 000	282 000
Movements in provisions	1 664 124	905 486
Other non-cash items	11	(158 518)
Changes in working capital:		
Inventories	(150 132)	(53 235)
Receivables from exchange transactions	(411 330)	3 756 670
Consumer debtors	(10 663 953)	(5 428 036)
Other receivables from non-exchange transactions	2 353 488	1 957 651
Payables from exchange transactions	1 528 619	(6 545 847)
VAT	234 147	(2 841 271)
Unspent conditional grants and receipts	1 679 915	(2 546 130)
Consumer deposits	33 971	59 551
	30 528 440	**29 157 065**

Notes to the Financial Statements

Figures in Rand	2014	2013

37. Commitments

Authorised capital and operational expenditure

Already contracted for but not provided for		
• Property, plant and equipment	29 892 885	273 600
• Investment property	-	195 505
• Operational - contracts	2 449 508	-
• Operational - orders	504 540	-
	32 846 933	**469 105**

Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	37 207 962

This committed expenditure relates to a sewerage network and the upgrading of an electricity network. The Municipal Infrastructure Grant will be used to finance the sewerage network whilst the upgrading of the electricity network will be financed from own funding.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	14 464	14 464
- in second to fifth year inclusive	12 054	26 518
	26 518	**40 982**

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	640 496	662 737
- in second to fifth year inclusive	1 611 968	2 479 323
- later than five years	462 527	1 011 129
	2 714 991	**4 153 189**

Certain of the municipality's property is held to generate rental income. Lease agreements are non-cancellable and have terms from 5 to 20 years. There are no contingent rents receivable.

Figures in Rand	2014	2013

38. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by the Budget & Treasury Office under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	2 008 119	2 008 119	6 024 357	11 044 655
Finance lease obligation	387 460	11 977	-	-
Trade and other payables	18 379 059	-	-	-

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	3 159 911	2 008 119	6 024 357	13 052 774
Finance lease obligation	636 931	360 974	-	-
Trade and other payables	14 964 469	-	-	-

Risk from biological assets

The municipality is exposed to financial risks arising from changes in game prices. The municipality does not anticipate that game prices will decline significantly in the foreseeable future. The municipality has not entered into derivative contracts to manage the risk of a decline in game prices.

38. Risk management (continued)

Interest rate risk

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

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed interest on DBSA loan	11.90 %	1 393 125	1 321 320	1 234 586	1 139 469	4 144 492

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 board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Consumer balances outstanding for more than three months are reviewed for impairment and provided for as bad debts as applicable.

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

Financial instrument	2014	2013
ABSA Bank - Cheque account	4 477 781	2 543 746
ABSA Bank - Money market account	1 620 042	1 540 638
Nedbank - 32 day notice account	-	22 288
FNB - Investment account	-	10 000 000
Consumer debtors	1 745 925	7 614 665
Receivables from exchange transactions	1 085 414	686 630
Investment in unlisted shares	917 100	897 182
ABSA Bank - 32 day notice account	4 087 093	-
ABSA Bank - 32 day notice account	113 691	-

Figures in Rand	2014	2013

38. Risk management (continued)

Price risk

The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the municipality.

The table below summarises the impact of increases/decreases of the indexes on the municipality's surplus for the year and on equity. The analysis is based on the assumption that the equity indexes has increased/decreased by 5% with all other variables held constant and all the municipality's equity instruments moved according to the historical correlation with the index:

	Impact on post tax surplus in Rand		Impact on other components of equity in Rand	
Financial instrument	2014	2013	2014	2013
Senwes Limited shares	26 543	25 926	-	-
Senwesbel Limited	19 312	18 933	-	-

Surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified a available-for-sale.

39. Going concern

The 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
Opening balance	241 104	-
Unauthorised expenditure - current year	1 781 896	1 981 775
Approval by council or written off	-	(1 740 671)
	2 023 000	**241 104**

The unauthorised expenditure balance is still under investigation.

Notes to the Financial Statements

Figures in Rand	2014	2013

41. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - current year	27 730	98 842
Approval by council or written off	-	(98 842)
	27 730	**-**

The fruitless and wasteful expenditure for 2014 is still under investigation.

42. Irregular expenditure

Opening balance	2 672 537	2 076 997
Add: Irregular Expenditure - current year	1 520 952	1 743 720
Less: Amounts written off	-	(1 148 180)
	4 193 489	**2 672 537**

Details of irregular expenditure – current year

Strip and quote	986 043
Monthly accounts	26 575
Accommodation	2 121
Cleaning material and refreshments	26 951
Vehicle expenses	236 126
Registering MFMP interns	200 000
Other	43 136
	1 520 952

THe Municipal Public Accounts Committee and the Finance Committee had a joint sitting where the irregular expenditure was investigated. A report will be submitted to Council.

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	416 250	400 000
Amount paid - current year	(416 250)	(400 000)
	-	-

Audit fees

Current year subscription / fee	2 574 623	2 255 197
Amount paid - current year	(2 574 623)	(2 255 197)
	-	-

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

PAYE and UIF

	2014	2013
Current year subscription / fee	5 960 620	5 258 747
Amount paid - current year	(5 960 620)	(5 258 747)
	-	-

Pension and Medical Aid Deductions

	2014	2013
Current year subscription / fee	8 147 621	7 379 220
Amount paid - current year	(8 147 621)	(7 379 220)
	-	-

VAT

	2014	2013
VAT receivable	(772 684)	(801 756)
VAT payable	253 021	47 946
	(519 663)	**(753 810)**

Not all VAT returns were submitted by the due date during the 2013/2014 financial year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Matlakala, TA	214	2 306	2 520
Horn, C	5 870	32 635	38 505
Taedi, TT	214	4 041	4 255
	6 298	**38 982**	**45 280**

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Horn, C	-	26 765	26 765
Taedi, TT	-	9 702	9 702
	-	**36 467**	**36 467**

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

Bulk electricity and water distribution losses

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Management's best estimated value of bulk eletricity and water distribution losses are as follows:

Distribution losses	2014 (Kwh)	2014 (%)	2013 (Kl)	2013 (%)
Electricity	2 824 450	10	3 205 004	11
Water	9 179 193	23	1 908 396	50
	12 003 643	**33**	**5 113 400**	**61**

44. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	11 852 258	13 542 563

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

45. Related parties

Councillor Horn is currently leasing arable land from the municipality at R 11,739.15 per annum.

Figures in Rand	2014	2013

46. Prior period errors

A COGTA grant which was receivable to subsidise the CFO's salary was not recognized in 2012/2013.
DT Receivables from non-exchange R 185 500
DT Grant expenditure R 185 500
CT Employee costs R 185 500
CT Grant income R 185 500

Grant income from Lotto was understated in the prior year.
DT Receivables from non-exchange R 24 836
CT Grant income R 24 836
Interest earned on ESKOM deposits were not accounted for in the prior year.

DT Other receivables R 7 436
CT Interest received R 7 436
Decreases in ESKOM deposits in 2011/2012 were not accounted for the previous year.

DT Accumulated surplus R 28 182
CT Other receivables R 28 182
Software licenses and website costs were previously included in the annual financial statements as intangible assets and not expensed.

DT General expenses R 240 902
DT Accumulated amortisation R 707 427
DT Accumulated surplus R 12 091
CT Amortisation R 234 308
CT Intangible assets R 726 112

Income from the sale of land was previously shown as deposits held to be recognised in the future.
DT Other payables R 346 854 (2011/2012: R 2 356 866)
CT Other income R 346 854 (2011/2012: R 2 356 866)

The provision for the medical contribution liability was retrospectively tailored to include employees in service of the municipality on 1 July 2003 as per Resolution 8.
DT Current liability R 348 000
DT Actuarial loss R 303 000
DT Finance charges R 51 000
DT Accumulated surplus R 809 000
CT Current service cost R 104 000
CT Employee benefit obligation R 1 407 000

The provision for the long term service awards was tailored to correctly include employees still in service of the municipality.
DT Current liability R 110 000
DT Employee benefit obligation R 214 000
DT Finance charges R 13 000

46. Prior period errors (continued)

DT Accumulated surplus R 211 000
CT Actuarial gain R 531 000
CT Current service cost R 17 000

Municipal water meters were previously expensed and not capitalised and depreciated.
DT Depreciation R 67 445
DT Property, plant and equipment R 1 348 892
CT Accumulated depreciation R 404 668
CT Accumulated surplus R 1 011 669

Municipal land that was transferred to RDP owners was not derecognised in the past.
DT General expenses R 178 360 (2011/2012: R 2 067 700)
CT Property, plant and equipment R 178 360 (2011/2012: R 2 067 700)

Municipal assets were damaged in 2012/2013 and incorrectly not derecognised.
DT Loss on sale of asset R 3 291
DT Accumulated depreciation R 12 258
CT Depreciation R 754
CT Property, plant and equipment R 14 795

Payables were overstated and insurance income was understated in 2011/2012.
DT Payables R 55 626
CT Accumulated surplus R 55 626

Debtors with credit balances were incorrectly reversed in 2010/2011 and caused the payables balance to be understated.
DT Accumulated surplus R 170 866
CT Payables R 170 866

Trade payables were never accounted for as part of accruals in 2011/2012.
DT VAT R 3 493
DT Accumulated surplus R 34 950
CT Payables R 38 443

Rates and interest were incorrectly levied and charged on municipal property in prior years.
DT Accumulated surplus R 66 630
CT Consumer debtors R 66 630

The correction of the errors results in adjustments as follows:

Notes to the Financial Statements

Figures in Rand	2014	2013

46. Prior period errors (continued)

Statement of financial position		
Consumer debtors	-	(66 630)
Receivables from non-exchange transactions	-	210 337
Property, plant and equipment	-	(1 304 372)
Intangible assets	-	(18 685)
Trade payables	-	(38 443)
Other payables	-	2 567 734
Current portion of provisions	-	348 000
VAT	-	3 493
Employee benefit provision	-	(1 083 000)
Opening Accumulated Surplus or Deficit	-	(618 434)
Statement of Financial Performance		
Interest received	-	(7 436)
Proceeds on sale of land	-	(346 854)
Grant income	-	(185 500)
Employee costs	-	(185 500)
Current service cost	-	433 000
Depreciation	-	(167 618)
General expenses	-	394 426
Finance charges	-	64 000
Grant expenditure	-	185 500
Loss on sale of assets	-	3 291
Actuarial (gain)/loss	-	(782 000)

47. Comparative figures

Certain comparative figures have been reclassified.

Medical contributions relating to employee costs were incorrectly shown as remuneration of councillors in prior financial years. These contributions were retrospectively corrected and now form part of the employee costs of salaried staff.

Interest on consumer accounts was incorrectly shown as other income in the prior financial years. The classification was corrected retrospectively.

Interest paid on trade payable accounts were previously included as part of finance costs and was reclassified to gerenal expenses.

The effects of the reclassification are as follows:

Notes to the Financial Statements

Figures in Rand	2014	2013

47. Comparative figures (continued)

Statement of Financial Performance

Employee costs	-	14 020
Remuneration of councillors	-	(14 020)
Other income	-	392 604
Interest received (trading)	-	(392 604)
General expenses	-	144 195
Finance costs	-	(144 195)

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2013 Rand	Interest accrued during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2014 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa								
Loan 61000141			13 413 561	1 460 569	3 021 872	11 852 258	-	-
Loan 61002008			141 288	9 162	150 450	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			13 554 849	**1 469 731**	**3 172 322**	**11 852 258**	**-**	**-**
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability								
Finance leases			997 905	201 130	799 598	399 437	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			997 905	**201 130**	**799 598**	**399 437**	**-**	**-**
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
Total external loans								

Schedule of external loans as at 30 June 2013

	Loan Number	Redeemable	Balance at 30 June 2013 Rand	Interest accrued during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2014 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			13 554 849	1 469 731	3 172 322	11 852 258	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			997 905	201 130	799 598	399 437	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			14 552 754	**1 670 861**	**3 971 920**	**12 251 695**	**-**	**-**

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Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Land and buildings														
Land (Separate for AFS purposes)	23 695 194	-	(18 460)	-	-	**-**	**23 676 734**	(1 119 598)	-	-	(559 799)	-	**(1 679 397)**	21 997 337
Buildings (Separate for AFS purposes)	91 359 732	-	-	4 224 413	-	**-**	**95 584 145**	(30 264 210)	-	-	(4 888 937)	-	**(35 153 147)**	60 430 998
	115 054 926	**-**	**(18 460)**	**4 224 413**	**-**	**-**	**119 260 879**	**(31 383 808)**	**-**	**-**	**(5 448 736)**	**-**	**(36 832 544)**	**82 428 335**
Infrastructure														
Roads, Pavements & Bridges	101 283 573	-	-	-	-	**-**	**101 283 573**	(42 719 140)	-	-	(4 812 414)	-	**(47 531 554)**	53 752 019
Transmission & Reticulation	32 155 547	-	-	-	-	**-**	**32 155 547**	(4 752 843)	-	-	(789 957)	-	**(5 542 800)**	26 612 747
Water purification	103 745 097	-	-	-	-	**-**	**103 745 097**	(25 882 573)	-	-	(4 160 071)	-	**(30 042 644)**	73 702 453
Sewerage purification	104 859 655	-	-	-	-	**-**	**104 859 655**	(11 020 828)	-	-	(3 487 547)	-	**(14 508 375)**	90 351 280
Waste Management	150 093	-	-	-	-	**-**	**150 093**	(134 491)	-	-	(10 033)	-	**(144 524)**	5 569
Other (work in progress)	8 013 975	28 169 424	-	(4 224 413)	-	**-**	**31 958 986**	-	-	-	-	-	**-**	31 958 986
	350 207 940	**28 169 424**	**-**	**(4 224 413)**	**-**	**-**	**374 152 951**	**(84 509 875)**	**-**	**-**	**(13 260 022)**	**-**	**(97 769 897)**	**276 383 054**
Community Assets														
Recreational facilities	4 899 257	-	-	-	-	**-**	**4 899 257**	(2 468 886)	-	-	(211 184)	-	**(2 680 070)**	2 219 187
Cemeteries	3 577 721	-	-	-	-	**-**	**3 577 721**	(980 653)	-	-	(163 181)	-	**(1 143 834)**	2 433 887
	8 476 978	**-**	**-**	**-**	**-**	**-**	**8 476 978**	**(3 449 539)**	**-**	**-**	**(374 365)**	**-**	**(3 823 904)**	**4 653 074**

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Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	7 039 033	42 030	-	-	-	**-**	**7 081 063**	(5 900 776)	-	-	(289 943)	-	**(6 190 719)**	890 344
Computer Equipment	935 572	229 718	(17 253)	-	-	**-**	**1 148 037**	(720 737)	11 300	-	(133 914)	-	**(843 351)**	304 686
Furniture & Fittings	1 268 348	226 784	-	-	-	**-**	**1 495 132**	(842 856)	-	-	(175 685)	-	**(1 018 541)**	476 591
Office Equipment	-	208 652	-	-	-	**-**	**208 652**	-	-	-	(2 335)	-	**(2 335)**	206 317
Office Equipment - Leased	2 865 475	37 856	-	-	-	**-**	**2 903 331**	(2 293 341)	-	-	(343 741)	-	**(2 637 082)**	266 249
Other	2 665 614	485 775	(6 236)	-	-	**-**	**3 145 153**	(2 509 147)	1 953	-	(128 186)	-	**(2 635 380)**	509 773
	14 774 042	**1 230 815**	**(23 489)**	**-**	**-**	**-**	**15 981 368**	**(12 266 857)**	**13 253**	**-**	**(1 073 804)**	**-**	**(13 327 408)**	**2 653 960**

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Analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Total property plant and equipment														
Land and buildings	115 054 926	-	(18 460)	4 224 413	-	-	**119 260 879**	(31 383 808)	-	-	(5 448 736)	-	**(36 832 544)**	82 428 335
Infrastructure	350 207 940	28 169 424	-	(4 224 413)	-	-	**374 152 951**	(84 509 875)	-	-	(13 260 022)	-	**(97 769 897)**	276 383 054
Community Assets	8 476 978	-	-	-	-	-	**8 476 978**	(3 449 539)	-	-	(374 365)	-	**(3 823 904)**	4 653 074
Other assets	14 774 042	1 230 815	(23 489)	-	-	-	**15 981 368**	(12 266 857)	13 253	-	(1 073 804)	-	**(13 327 408)**	2 653 960
	488 513 886	**29 400 239**	**(41 949)**	**-**	**-**	**-**	**517 872 176**	**(131 610 079)**	**13 253**	**-**	**(20 156 927)**	**-**	**(151 753 753)**	**366 118 423**
Agricultural/Biological assets														
Biological assets - game	1 131 476	-	-	-	-	**53 198**	**1 184 674**	-	-	-	-	-	**-**	1 184 674
	1 131 476	**-**	**-**	**-**	**-**	**53 198**	**1 184 674**	**-**	**-**	**-**	**-**	**-**	**-**	**1 184 674**
Investment properties														
Investment property	23 876 000	-	-	-	-	**-**	**23 876 000**	-	-	-	-	-	**-**	23 876 000
	23 876 000	**-**	**-**	**-**	**-**	**-**	**23 876 000**	**-**	**-**	**-**	**-**	**-**	**-**	**23 876 000**
Total														
Land and buildings	115 054 926	-	(18 460)	4 224 413	-	-	**119 260 879**	(31 383 808)	-	-	(5 448 736)	-	**(36 832 544)**	82 428 335
Infrastructure	350 207 940	28 169 424	-	(4 224 413)	-	-	**374 152 951**	(84 509 875)	-	-	(13 260 022)	-	**(97 769 897)**	276 383 054
Community Assets	8 476 978	-	-	-	-	-	**8 476 978**	(3 449 539)	-	-	(374 365)	-	**(3 823 904)**	4 653 074
Other assets	14 774 042	1 230 815	(23 489)	-	-	-	**15 981 368**	(12 266 857)	13 253	-	(1 073 804)	-	**(13 327 408)**	2 653 960
Agricultural/Biological assets	1 131 476	-	-	-	-	**53 198**	**1 184 674**	-	-	-	-	-	**-**	1 184 674
Investment properties	23 876 000	-	-	-	-	**-**	**23 876 000**	-	-	-	-	-	**-**	23 876 000
	513 521 362	**29 400 239**	**(41 949)**	**-**	**-**	**53 198**	**542 932 850**	**(131 610 079)**	**13 253**	**-**	**(20 156 927)**	**(4 114)**	**(151 757 867)**	**391 174 983**

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Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	23 873 554	-	(178 360)	-	-	**-**	**23 695 194**	(559 799)	-	-	(559 799)	-	**(1 119 598)**	22 575 596
Buildings (Separate for AFS purposes)	82 488 261	162 649	-	-	-	**-**	**82 650 910**	(21 249 948)	-	-	(4 758 489)	-	**(26 008 437)**	56 642 473
	106 361 815	**162 649**	**(178 360)**	**-**	**-**	**-**	**106 346 104**	**(21 809 747)**	**-**	**-**	**(5 318 288)**	**-**	**(27 128 035)**	**79 218 069**
Infrastructure														
Roads, Pavements & Bridges	83 060 025	-	-	18 223 548	-	**-**	**101 283 573**	(37 468 367)	-	-	(5 250 773)	-	**(42 719 140)**	58 564 433
Transmission & Reticulation	32 155 547	-	-	-	-	**-**	**32 155 547**	(3 962 886)	-	-	(789 957)	-	**(4 752 843)**	27 402 704
Water purification	103 725 419	-	-	19 678	-	**-**	**103 745 097**	(21 709 281)	-	-	(4 173 293)	-	**(25 882 574)**	77 862 523
Sewerage purification	41 230 360	-	-	63 629 295	-	**-**	**104 859 655**	(8 373 326)	-	-	(2 647 502)	-	**(11 020 828)**	93 838 827
Waste Management	150 093	-	-	-	-	**-**	**150 093**	(124 441)	-	-	(10 050)	-	**(134 491)**	15 602
Other (work in progress)	69 681 334	28 913 984	-	-	-	**-**	**98 595 318**	-	-	(90 581 343)	-	-	**(90 581 343)**	8 013 975
	330 002 778	**28 913 984**	**-**	**81 872 521**	**-**	**-**	**440 789 283**	**(71 638 301)**	**-**	**(90 581 343)**	**(12 871 575)**	**-**	**(175 091 219)**	**265 698 064**
Community Assets														
Recreational facilities	4 899 257	-	-	-	-	**-**	**4 899 257**	(2 125 002)	-	-	(253 884)	-	**(2 378 886)**	2 520 371
Cemeteries	3 577 721	-	-	-	-	**-**	**3 577 721**	(817 472)	-	-	(163 181)	-	**(980 653)**	2 597 068
	8 476 978	**-**	**-**	**-**	**-**	**-**	**8 476 978**	**(2 942 474)**	**-**	**-**	**(417 065)**	**-**	**(3 359 539)**	**5 117 439**

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Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	7 079 126	534 877	(574 970)	-	-	**-**	**7 039 033**	(5 864 795)	352 986	-	(388 967)	-	**(5 900 776)**	1 138 257
Computer Equipment	677 024	268 743	-	-	-	**-**	**945 767**	(619 590)	-	-	(111 341)	-	**(730 931)**	214 836
Furniture & Fittings	1 115 415	152 933	-	-	-	**-**	**1 268 348**	(693 737)	-	-	(149 119)	-	**(842 856)**	425 492
Office Equipment	55 805	5 999	-	-	-	**-**	**61 804**	(13 976)	-	-	(19 874)	-	**(33 850)**	27 954
Office Equipment - Leased	2 779 415	86 060	-	-	-	**-**	**2 865 475**	(1 948 714)	-	-	(344 627)	-	**(2 293 341)**	572 134
Other	2 449 466	158 945	(14 795)	-	-	**-**	**2 593 616**	(2 431 818)	12 258	-	(45 542)	-	**(2 465 102)**	128 514
	14 156 251	**1 207 557**	**(589 765)**	**-**	**-**	**-**	**14 774 043**	**(11 572 630)**	**365 244**	**-**	**(1 059 470)**	**-**	**(12 266 856)**	**2 507 187**

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Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	106 361 815	162 649	(178 360)	-	-	**-**	**106 346 104**	(21 809 747)	-	-	(5 318 288)	-	**(27 128 035)**	79 218 069
Infrastructure	330 002 778	28 913 984	-	81 872 521	-	**-**	**440 789 283**	(71 638 301)	-	(90 581 343)	(12 871 575)	-	**(175 091 219)**	265 698 064
Community Assets	8 476 978	-	-	-	-	**-**	**8 476 978**	(2 942 474)	-	-	(417 065)	-	**(3 359 539)**	5 117 439
Other assets	14 156 251	1 207 557	(589 765)	-	-	**-**	**14 774 043**	(11 572 630)	365 244	-	(1 059 470)	-	**(12 266 856)**	2 507 187
	458 997 822	**30 284 190**	**(768 125)**	**81 872 521**	**-**	**-**	**570 386 408**	**(107 963 152)**	**365 244**	**(90 581 343)**	**(19 666 398)**	**-**	**(217 845 649)**	**352 540 759**
Agricultural/Biological assets														
Biological assets - game	816 680	183 014	-	-	156 274	**(24 492)**	**1 131 476**	-	-	-	-	-	**-**	1 131 476
	816 680	**183 014**	**-**	**-**	**156 274**	**(24 492)**	**1 131 476**	**-**	**-**	**-**	**-**	**-**	**-**	**1 131 476**
Investment properties														
Investment property	23 876 000	-	-	-	-	**-**	**23 876 000**	-	-	-	-	-	**-**	23 876 000
	23 876 000	**-**	**-**	**-**	**-**	**-**	**23 876 000**	**-**	**-**	**-**	**-**	**-**	**-**	**23 876 000**
Total														
Land and buildings	106 361 815	162 649	(178 360)	-	-	**-**	**106 346 104**	(21 809 747)	-	-	(5 318 288)	-	**(27 128 035)**	79 218 069
Infrastructure	330 002 778	28 913 984	-	81 872 521	-	**-**	**440 789 283**	(71 638 301)	-	(90 581 343)	(12 871 575)	-	**(175 091 219)**	265 698 064
Community Assets	8 476 978	-	-	-	-	**-**	**8 476 978**	(2 942 474)	-	-	(417 065)	-	**(3 359 539)**	5 117 439
Other assets	14 156 251	1 207 557	(589 765)	-	-	**-**	**14 774 043**	(11 572 630)	365 244	-	(1 059 470)	-	**(12 266 856)**	2 507 187
Agricultural/Biological assets	816 680	183 014	-	-	156 274	**(24 492)**	**1 131 476**	-	-	-	-	-	**-**	1 131 476
Investment properties	23 876 000	-	-	-	-	**-**	**23 876 000**	-	-	-	-	-	**-**	23 876 000
	483 690 502	**30 467 204**	**(768 125)**	**81 872 521**	**156 274**	**(24 492)**	**595 393 884**	**(108 436 271)**	**365 244**	**(90 581 343)**	**(19 900 706)**	**-**	**(218 553 076)**	**376 840 808**

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Segmental analysis of property, plant and equipment as at 30 June 2014

	Cost							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	408 076 350	4 516 414	(18 460)	-	-	**-**	**412 574 304**	(105 987 056)	-	-	(17 212 197)	-	**(123 199 253)**	289 375 051
Finance & Admin/Finance	2 083 769	401 209	(3 050)	-	-	**-**	**2 481 928**	(1 434 276)	3 050	-	(385 392)	-	**(1 816 618)**	665 310
Planning and Development/Economic Development/Plan	738 322	128 897	(18 014)	-	-	**-**	**849 205**	(642 517)	7 778	-	(122 376)	-	**(757 115)**	92 090
Comm. & Social/Libraries and archives	33 437 474	13 410	(2 426)	-	-	**-**	**33 448 458**	(13 431 527)	2 426	-	(1 562 559)	-	**(14 991 660)**	18 456 798
Road Transport/Roads	9 428 129	326 798	-	-	-	**-**	**9 754 927**	(8 295 666)	-	-	(340 776)	-	**(8 636 442)**	1 118 485
	453 764 044	**5 386 728**	**(41 950)**	**-**	**-**	**-**	**459 108 822**	**(129 791 042)**	**13 254**	**-**	**(19 623 300)**	**-**	**(149 401 088)**	**309 707 734**
Total	**453 764 044**	**5 386 728**	**(41 950)**	**-**	**-**	**-**	**459 108 822**	**(129 791 042)**	**13 254**	**-**	**(19 623 300)**	**-**	**(149 401 088)**	**309 707 734**

Tswelopele Local Municipality
Appendix D
June 2014

Segmental Statement of Financial Performance for the year ended

Prior Year Actual Income Rand	Prior Year Actual Expenditure Rand	Prior Year Surplus /(Deficit) Rand		Current Year Actual Income Rand	Current Year Actual Expenditure Rand	Current Year Surplus /(Deficit) Rand
			Municipality			
3 267 417	31 362 284	(28 094 867)	Executive & Council/Mayor and Council	3 108 963	33 197 788	(30 088 825)
45 742 188	18 364 310	27 377 878	Finance & Admin/Finance	21 889 737	33 407 960	(11 518 223)
332 467	4 433 062	(4 100 595)	Planning and Development/Economic Development/Plan	61 523	5 361 642	(5 300 119)
7 005 229	10 930 382	(3 925 153)	Comm. & Social/Libraries and archives	6 543 435	12 661 107	(6 117 672)
972 360	1 034 173	(61 813)	Public Safety/Police	1 236 025	1 164 892	71 133
607 650	1 361 631	(753 981)	Sport and Recreation	73 443	694 373	(620 930)
11 143 325	5 426 578	5 716 747	Environmental Protection/Pollution Control	11 882 663	6 735 969	5 146 694
17 617 799	8 280 645	9 337 154	Waste Water Management/Sewerage	17 845 527	9 921 048	7 924 479
17 729	10 838 728	(10 820 999)	Road Transport/Roads	26 715 584	10 873 677	15 841 907
18 782 862	8 128 828	10 654 034	Water/Water Distribution	18 324 630	8 956 757	9 367 873
36 403 970	25 373 445	11 030 525	Electricity /Electricity Distribution	38 304 878	25 626 367	12 678 511
141 892 996	**125 534 066**	**16 358 930**		**145 986 408**	**148 601 580**	**(2 615 172)**
			Municipal Owned Entities			
			Other charges			
141 892 996	125 534 066	16 358 930	Municipality	145 986 408	148 601 580	(2 615 172)
141 892 996	**125 534 066**	**16 358 930**	**Total**	**145 986 408**	**148 601 580**	**(2 615 172)**

Tswelopele Local Municipality
Appendix E(1)
June 2014

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

	Forecast # 1 2014 Act. Bal. Rand	Forecast # 1 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	11 122 728	4 085 455	7 037 273	172.3	
Service charges	33 424 012	34 670 724	(1 246 712)	(3.6)	
Rental of facilities and equipment	290 488	316 200	(25 712)	(8.1)	
Interest received (trading)	690 834	-	690 834	-	
Licences and permits	5 505	-	5 505	-	
Fines	299 000	90 000	209 000	232.2	
Other income - (rollup)	669 592	1 478 000	(808 408)	(54.7)	
Government grants	97 926 749	65 449 000	32 477 749	49.6	
Interest received - investment	1 465 076	730 000	735 076	100.7	
Dividends received	51 104	90 000	(38 896)	(43.2)	
	145 945 088	106 909 379	39 035 709	36.5	
Expenses					
Personnel	(44 865 947)	(40 128 000)	(4 737 947)	11.8	
Remuneration of councillors	(4 175 336)	(4 859 000)	683 664	(14.1)	
Depreciation	(20 156 927)	-	(20 156 927)	-	
Finance costs	(4 026 599)	(2 104 000)	(1 922 599)	91.4	
Debt impairment	(16 532 694)	(2 500 500)	(14 032 194)	561.2	
Repairs and maintenance - General	(4 501 201)	(5 812 000)	1 310 799	(22.6)	
Bulk purchases	(32 030 314)	(23 200 000)	(8 830 314)	38.1	
Contracted Services	(34 268)	(30 000)	(4 268)	14.2	
General Expenses	(22 298 222)	(30 842 000)	8 543 778	(27.7)	
	(148 621 508)	(109 475 500)	(39 146 008)	35.8	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(11 787)	-	(11 787)	-	
Fair value adjustments	73 117	-	73 117	-	
	61 330	-	61 330	-	
Net surplus/ (deficit) for the year	(2 615 090)	(2 566 121)	(48 969)	1.9	

Tswelopele Local Municipality
Appendix E(2)
June 2014

Budget Analysis of Capital Expenditure as at 30 June 2014

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	4 584 914	4 584 914	-	-	
Finance & Admin/Finance	401 209	401 209	-	-	
Planning and Development/Economic Development/Plan	128 897	128 897	-	-	
Comm. & Social/Libraries and archives	13 410	13 410	-	-	
Road Transport/Roads	326 798	326 798	-	-	
Other/Air Transport	-	-	-	-	
	5 455 228	**5 455 228**	**-**	**-**	
Municipal Owned Entities	**31 959**	**-**	**;1 959)**	**-**	

Tswelopele Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld				
		Jun									Jun					
Other grants (EPWP, SDG, DMG, FSPG, SG,S&RG)		6 349 135	-	-	-	-	-	-	-	-	4 669 220	-	-	-	-	
Equitable Share		61 909 000	-	-	-	-	-	-	-	-	61 909 000	-	-	-	-	
Municipal Systems Improvement Grant		890 000	-	-	-	-	-	-	-	-	890 000	-	-	-	-	
Finance Management Grant		1 650 000	-	-	-	-	-	-	-	-	1 650 000	-	-	-	-	
Municipal Infrastructure Grant		28 809 000	-	-	-	-	-	-	-	-	28 809 000	-	-	-	-	
		99 607 135	-	-	-	-	-	-	-	-	97 927 220	-	-	-	-	

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