Planning by	Reviewed	Performed by	Final review

Client details
Client name: AbaQulusi Municipality
Year end: 30 June 2014

File details
Ver No: 2014.10.01
File name: AbaQulusi Local Municipality 2014 AFS
Doc name: AbaQulusi Local Municipality 2014 AFSFSNG0000ZAFS.cvw
File path C:\USERS\STHOMAS075\DOCUMENTS\CLIENTS\ABAQULUSI MUNICIPALITY\6. CASEWARE FILES\ABAQULUSI LOCAL MUNICIPALITY _REVISED COPY\
Last update: 32
Design mode has been entered
Builder mode has been entered

Balance Check Controlling entity

			2014	2013
	Statement of financial position balances			
	Cash flow statement balances			
	Net Surplus per the Statement of Financial Performance does not agree with the NETINC account	Diff	(14)	-
	Opening Accumulated Surplus (deficit) does not match the closing balance for the prior year	Diff	-	1,095,836,659

Print details
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AbaQulusi Municipality
Annual financial statements
for the year ended 30 June 2014
Auditor General

General Information

Mayoral committee	
Executive Mayor	PN Khaba
Deputy Mayor	NP Ndlela
Speaker	PM Mtshali
Executive Committee Member	GM Dlamini
Executive Committee Member	HE Heyns
Executive Committee Member	MB Khumalo
Executive Committee Member	SS Siyaya
Executive Committee Member	BL Zwane
Executive Committee Member	BS Zwane
Councillors:	ZS Buthelezi
	ISM Hadebe
	XA Hlela
	HV Khumalo
	MM Kunene
	MM Mavuso
	AM Masondo
	DJ Mahlase
	MA Mazibuko
	DP Mazibuko
	M Mdlalose
	CN Molefe
	T Ndlovu
	G Nkohla
	SR Nkosi
	HD Ntshangase
	MS Ntshangase
	B Ntombela
	SE Qwabe
	TV Radebe
	MJ Sibiya
	TE Vilakazi
	SM Vilakazi
	MP Williams
	SB Zwane
	ME Zungu
	RB Mhlungu
	PP Mkhwanazi
	AD Mkhulise
	JS Mncube
	JW Mthembu
	AM Nkosi
	B Hancke
	BA Mtshali
Grading of local authority	Grade 4 Low Capacity
Chief Finance Officer (CFO)	HA Mahomed cfo@abaqulusi.gov.za

General Information

Accounting Officer	LZ Mgudlwa (Acting)
Bankers	ABSA Nedbank
Auditors	Auditor General

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

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

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

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

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

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

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

The municipality is partly dependant on the community and state for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Abaqulusi Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 25 of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 6 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on and were signed on its behalf by:

Accounting Officer
LZ Mgudlwa (Acting)

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated
Assets			
Current Assets			
Inventories	9	6,965,026	7,783,554
Receivables from non-exchange transactions	10	46,373,529	28,195,201
VAT receivable	11	2,819,581	1,221,466
Receivables from exchange transactions	12	17,219,135	11,628,494
Cash and cash equivalents	13	53,151,479	83,210,605
		126,528,750	**132,039,320**
Non-Current Assets			
Investment property	4	13,903,205	13,774,180
Property, plant and equipment	5	2,027,142,743	2,039,219,552
Intangible assets	6	312,447	257,985
Heritage assets	7	3,073,654	3,073,654
		2,044,432,049	**2,056,325,371**
Non-Current Assets		2,044,432,049	2,056,325,371
Current Assets		126,528,750	132,039,320
Total Assets		**2,170,960,799**	**2,188,364,691**
Liabilities			
Current Liabilities			
Finance lease obligation	14	4,785,845	5,951,259
Payables from exchange transactions	17	32,752,432	31,386,832
Consumer deposits	18	12,900,593	12,286,457
Unspent conditional grants and receipts	15	6,310,213	33,505,114
Other liabilities	19	1,381,340	1,381,340
		58,130,423	**84,511,002**
Non-Current Liabilities			
Finance lease obligation	14	3,195,295	7,629,159
Employee benefit obligation	8	36,565,000	47,172,911
Provision for environmental rehabiliation	16	53,121,529	49,919,105
Other liabilities	19	1,381,339	2,762,678
		94,263,163	**107,483,853**
Non-Current Liabilities		94,263,163	107,483,853
Current Liabilities		58,130,423	84,511,002
Liabilities of disposal groups		-	-
Total Liabilities		**152,393,586**	**191,994,855**
Assets		2,170,960,799	2,188,364,691
Liabilities		(152,393,586)	(191,994,855)
Net Assets		**2,018,567,213**	**1,996,369,836**

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated
Revenue			
Revenue from exchange transactions			
Service charges	22	209,493,156	186,766,075
Rental of facilities and equipment		1,188,729	799,887
Interest received - Sundry debtors		5,420	8,747
Licences and permits		4,414,582	5,215,870
Fair value gain		129,024	201,850
Acturial gain on employee benefits		10,607,911	-
Other income	24	1,680,110	1,598,526
Land sales		2,301,071	-
Interest received - investment		4,369,190	3,970,429
Total revenue from exchange transactions		**234,189,193**	**198,561,384**
Revenue from non-exchange transactions			
Property rates	21	49,843,775	41,574,200
Property rates - penalties imposed	21	1,306,087	851,319
Donations received		28,453,532	-
Government grants & subsidies		163,051,447	116,750,702
Fines		9,374,998	1,981,765
Total revenue from non-exchange transactions		**252,029,839**	**161,157,986**
		234,189,193	198,561,384
		252,029,839	161,157,986
Total revenue	20	**486,219,032**	**359,719,370**
Expenditure			
Bulk purchases	37	122,108,105	112,199,872
Employee related costs	26	103,610,918	101,301,879
Remuneration of councillors	27	13,981,114	12,093,447
Contribution landfill site rehabilitation allowance		3,202,424	2,705,348
Depreciation and amortisation	30	88,654,874	96,145,452
Impairment loss	31	-	95,926
Finance costs	32	892,016	4,511,652
Provision for doubtful debts	28	7,128,490	7,350,562
Post employment benefits		-	6,585,653
Repairs and maintenance		13,957,811	14,298,245
Contracted services	35	32,667,753	26,703,438
Grant expenditure	36	33,797,585	19,155,256
Hire of vehicle and office equipment		6,116,806	2,976,149
General Expenses	25	37,609,955	24,740,476
Total expenditure		**463,727,851**	**430,863,355**
		-	-
Total revenue		486,219,032	359,719,370
Total expenditure		(463,727,851)	(430,863,355)
Operating surplus (deficit)		**22,491,181**	**(71,143,985)**
Loss on disposal of assets and liabilities		(293,804)	(18,733,416)
Surplus (deficit) before taxation		22,197,377	(89,877,401)
Taxation		-	-
Surplus (deficit) for the year		**22,197,377**	**(89,877,401)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2012	981,240,839	981,240,839
Profit/(Loss) for the year	(51,130,355)	(51,130,355)
Opening balance as previously reported	**930,110,484**	**930,110,484**
Prior period adjustments (refer to note 40)	1,066,259,352	1,066,259,352
Restated balance as at 01 July 2013	**1,996,369,836**	**1,996,369,836**
Changes in net assets		
Surplus for the year	22,197,377	22,197,377
Total changes	22,197,377	22,197,377
Balance at 30 June 2014	**2,018,567,213**	**2,018,567,213**

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated
Cash flows from operating activities			
Receipts			
Sale of goods and services		261,969,436	237,900,771
Grants and Subsidies		136,918,593	135,051,800
Interest income-external investments		4,374,610	3,979,176
Vat received	39	8,258,074	3,587,437
		411,520,713	380,519,184
Payments			
Employee costs		(117,592,032)	(113,395,326)
Suppliers		(267,863,598)	(223,621,699)
Finance costs		(892,016)	(4,511,652)
		(386,347,646)	(341,528,677)
Total receipts		411,520,713	380,519,184
Total payments		(386,347,646)	(341,528,677)
Net cash flows from operating activities	38	**25,173,067**	**38,990,507**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(48,251,574)	(16,946,768)
Proceeds from sale of property, plant and equipment	5	-	846,850
Net cash flows from investing activities		**(48,251,574)**	**(16,099,918)**
Cash flows from financing activities			
Repayment of other financial liabilities		-	(1,856,000)
Movement in other liabiltiies		(1,381,339)	4,144,018
Finance lease payments		(5,599,280)	(4,635,842)
Net cash flows from financing activities		**(6,980,619)**	**(2,347,824)**
Net increase/(decrease) in cash and cash equivalents		**(30,059,126)**	**20,542,765**
Cash and cash equivalents at the beginning of the year		83,210,605	62,667,840
Cash and cash equivalents at the end of the year	13	**53,151,479**	**83,210,605**

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	214,183,130	(5,548,000)	**208,635,130**	209,493,156	**858,026**	
Rendering of services	823,410	479,390	**1,302,800**	1,188,729	**(114,071)**	
Licences and permits	5,072,610	(279,390)	**4,793,220**	4,414,582	**(378,638)**	
Donations received-assets	-	-	**-**	129,024	**129,024**	53.1
Acturial gain on employee benefits	-	-	**-**	10,607,911	**10,607,911**	53.2
Other income	3,194,000	2,582,000	**5,776,000**	1,836,630	**(3,939,370)**	53.3
Land Sales	-	-	**-**	2,301,071	**2,301,071**	53.4
Interest received - investment	2,765,640	973,000	**3,738,640**	4,369,190	**630,550**	53.5
Total revenue from exchange transactions	**226,038,790**	**(1,793,000)**	**224,245,790**	**234,340,293**	**10,094,503**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	50,350,000	(2,350,000)	**48,000,000**	49,843,775	**1,843,775**	
Property rates - penalties imposed	852,940	447,060	**1,300,000**	1,306,087	**6,087**	
Other taxation revenue 1	-	-	**-**	28,453,532	**28,453,532**	
Government grants & subsidies	92,080,000	9,150,000	**101,230,000**	163,051,447	**61,821,447**	53.6
Transfer revenue						
Fines	2,093,630	(83,000)	**2,010,630**	9,374,998	**7,364,368**	53.7
Total revenue from non-exchange transactions	**145,376,570**	**7,164,060**	**152,540,630**	**252,029,839**	**99,489,209**	
'Total revenue from exchange transactions'	226,038,790	(1,793,000)	**224,245,790**	234,340,293	**10,094,503**	
'Total revenue from non-exchange transactions'	145,376,570	7,164,060	**152,540,630**	252,029,839	**99,489,209**	
Total revenue	**371,415,360**	**5,371,060**	**376,786,420**	**486,370,132**	**109,583,712**	
Expenditure						
Personnel	(118,774,952)	10,285,710	**(108,489,242)**	(103,550,508)	**4,938,734**	
Remuneration of councillors	(14,348,420)	931,920	**(13,416,500)**	(13,981,114)	**(564,614)**	
Transfer payments	-	-	**-**	(3,202,424)	**(3,202,424)**	
Depreciation and amortisation	(19,411,060)	(56,100,000)	**(75,511,060)**	(88,587,974)	**(13,076,914)**	53.8
Finance costs	-	-	**-**	(6,991,141)	**(6,991,141)**	53.9
Provision for doubtful debts	(1,500,000)	-	**(1,500,000)**	(7,128,490)	**(5,628,490)**	53.10
Repairs and maintenance	-	-	**-**	(13,968,742)	**(13,968,742)**	53.11
Bulk purchases	(119,285,000)	(6,605,000)	**(125,890,000)**	(123,507,126)	**2,382,874**	
Contracted Services	(29,594,260)	(1,833,095)	**(31,427,355)**	(32,667,753)	**(1,240,398)**	
Grants and subsidies paid	(11,195,490)	(17,037,000)	**(28,232,490)**	(52,171,213)	**(23,938,723)**	
General Expenses	(70,425,000)	(5,105,000)	**(75,530,000)**	(35,412,339)	**40,117,661**	53.12
Capital Expenditure	(6,059,000)	-	**(6,059,000)**	(2,957,438)	**3,101,562**	53.13
Total expenditure	**(390,593,182)**	**(75,462,465)**	**(466,055,647)**	**(484,126,262)**	**(18,070,615)**	

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
	371,415,360	5,371,060	**376,786,420**	486,370,132	**109,583,712**	
	(390,593,182)	(75,462,465)	**(466,055,647)**	(484,126,262)	**(18,070,615)**	
Operating surplus	**(19,177,822)**	**(70,091,405)**	**(89,269,227)**	**2,243,870**	**91,513,097**	
Loss on disposal of assets and liabilities	-	-	**-**	(293,804)	**(293,804)**	
	(19,177,822)	(70,091,405)	**(89,269,227)**	2,243,870	**91,513,097**	
	-	-	**-**	(293,804)	**(293,804)**	
Surplus before taxation	**(19,177,822)**	**(70,091,405)**	**(89,269,227)**	**1,950,066**	**91,219,293**	
Deficit before taxation	(19,177,822)	(70,091,405)	**(89,269,227)**	1,950,066	**91,219,293**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(19,177,822)**	**(70,091,405)**	**(89,269,227)**	**1,950,066**	**91,219,293**	

Reasons for all variances in excess of 10% of the acutal amount has been disclosed in note 53.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period, unless otherwise stated.

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

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

Revenue Recognition

Accounting Policy 1.15 & 1.16 on Revenue from Exchange Transactions and Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-exchange Transactions. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

Impairment of Financial Assets

Accounting Policy 1.7 Financial Instruments describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

Useful lives of Property, Plant and Equipment (**"PPE"**)
As described in Accounting Policies 1.4 and 1.5, the municipality depreciates/amortises its property, plant and equipment,and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge

Impairment: Write down of Property, Plant and Equipment, Intangible assets and Inventories

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable

Defined Benefit Plan Liabilities

1.2 Significant judgements and sources of estimation uncertainty (continued)

As described in Accounting Policy 1.13 Employee Benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Longservice Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25 Employee Benefits. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 7 to the financial statements

Presentation of currency

The financial statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency

Going concern assumption

The financial statements have been prepared on a going concern basis

Offsetting

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

Provisions

Provisions have been raised by the municipality. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

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.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use

Subsequent measurement

Fair value model

1.3 Investment property (continued)

Investment property is measured using the fair value model. This entails determining the fair value of investment properties on a regular basis. To the extent that the fair value model is applied investment property is not depreciated. Fair value gains / losses that result from the revaluation are recognised in the Statement of Financial Performance

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance

Derecognition

An Investment Property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

Subsequent Measurements

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

I**Immovable**
During the current financial year, the municipality has opted to adopt Directive 7 in order to establish deemed costs to all immovable assets. This has been done in order to correct asset values that could not be reliably measured and supported in the previous financial year. It was established that this method would allow the presentation and disclosure of more accurate and reliable information to users of the financial statements. The deemed cost was determined retrospectively as at 30 June 2012. The deemed cost was established by using current market pricing for similar constructed components, depreciated according to the components' age in order to arrive at the depreciated replacement cost

Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated,using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets.The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential areexpected to be consumed by the municipality.Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.Depreciation only commences when the asset is available for use, unless stated otherwise.

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

	Item useful life range
Infrastructure	
Roads and stormwater	5-80 years
Electricity	3-50 years
Sanitation	15-100 years
Water	5-80 years
Housing	3-50 years
Landfill sites	15-50 years
Community	
Sport and recreational facilities	5 - 50 years
Cemeteries	5 - 50 years
Halls	5 - 50 years
Libraries	5 - 50 years
Parks	5 - 50 years
Fire / Ambulance stations	5 - 50 years
Clinics	5 - 50 years
Sport fields	15 - 30 years
Stadium	5- 50 years

Accounting Policies

1.4 Property, plant and equipment (continued)

Other

Transport assets	5-15 years
Machinery and equipment	2-15 years
Computer equipment	3-7 years
Office equipment	3-10 years
Library books	5-10 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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.

Capital Work in Progress

Capital work in progress is stated at historical cost. Depreciation only commences when the asset is available for use.

Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE.controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost lessaccumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised. Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

1.4 Property, plant and equipment (continued)

The municipality has identified all its capital assets, excluding Investment Property, as non-cash generating assets as it's the municipality's view that the primary objective of these assets are to provide a service and not to generate a commercial return.

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.5 Intangible assets

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

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

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

An intangible asset shall be measured initially as cost. Where an intangible asset is acquired through a non-exchnage transaction, its initial cost at the date of acquisition shall be measured at its fair value as at that date. The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

An intangible asset shall be de-recognised on disposal or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognistion of an intangible asset shall be determined as the difference between the net disposal proceeds, if any and the carrying amount of the asset. It shall be recongised in surplus or deficit when the asset is derecognised.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

1.5 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Computer software, internally generated	5-10 years
Internally generated intangible assets	5 -10 years

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

1.6 Heritage assets

Recognition of Assets

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

A heritage asset is further recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

A Heritage asset that qualifies for recogition as an asset shall be initially measured at its cost. Where a heritage asset is acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and is carried at its cost less any accumulated impairment losses. In instances where cost is not determinable, the municipality has taken advantage of the transitional provisions.

Heritage assets are not depreciated but the municipality will assess at each reporting date based on external and internal sources of information whether there is an indication that it may be impaired. Transfers from heritage assets shall be made when and only when the particular asset no longer meets the definition of a heritage asset. Likewise transfer to heritage assets shall be made when and only when the asset meets the definiton of a heritage asset.

Heritage assets which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives, as reflected below:

Memorials & Statues	- indefinite life
Heritage Sites	- indefinite life
Museums	- indefinite life
Art Works	- indefinite life

Although a heritage asset is not depreciated, the asset is assessed for impairment at each reporting date to disclose whether there is an indication that it may be impaired

De-recognition of Asset

The carrying amount of a heritage is de-recognised:

- on disposal, or

Accounting Policies

1.6 Heritage assets (continued)

- when no future economic benefits or service potential are expected from its use or disposal.

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

Transitional provision

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

Until such time as the measurement period expires and heritage assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Heritage assets, the municipality need not comply with the Standards of GRAP on (to the extent that these Standards prescribe requirements for heritage assets):
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

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

1.7 Financial instruments

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.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

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

1.7 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 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.

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.

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

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.

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.

Accounting Policies

1.7 Financial instruments (continued)

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.

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 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.

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.

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.8 Leases

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

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

Finance leases - lessee

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

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

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

1.8 Leases (continued)

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.9 Inventories

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

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

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.

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

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

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

1.10 Impairment of cash-generating assets (continued)

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.

Identification

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

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Accounting Policies

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

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

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

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

Identification

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

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

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

Value in use

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

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

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Employee benefits

GRAP 25 - Employee benefits has been been issued and is effective for the period commencing 1April 2013 and has been applied in the 2013/2014 financial year

GRAP 25 on employee benefits is to provide accounting principles for amounts or benefits due to employees, their spouses or third parties when employees have rendered services to the municipality, and the rendering of those services entitles employees to certain benefits.This standard prescribes similar requirements to those in terms of IAS 19: Employee Benefits which the municipality has been following in the prior year. Since IAS 19 has been applied in developing the current accounting policy, no significant impact on the financial statements of the Municipality is expected.

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.

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.

1.13 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.14 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.

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

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

1.14 Provisions and contingencies (continued)

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.

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, Service Fees

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.

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

1.16 Revenue from non-exchange transactions

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

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

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

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

1.16 Revenue from non-exchange transactions (continued)

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

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

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

Value Added Tax (VAT):

The municipality accounts for VAT on the accrual basis.

1.16 Revenue from non-exchange transactions (continued)

Fines

As a result of IGRAP 1 which is newly effective for the 2013/2014 annual financial year the full amount of traffic fines issued are recognised as revenue at the initial transaction date on the accrual basis.

As per IGRAP1 assessing and recognising impairment is an event that takes place subsequent to initial recognition of revenue charged. A provision is raised accodingly when the entity assess the probability of revenue collection. The provision for traffic fines has been calculated based on the historical collection rate.

Gifts and donations, including goods in-kind

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

1.17 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.

1.18 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.

1.19 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.

1.20 Irregular expenditure

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

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

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

Accounting Policies

1.20 Irregular expenditure (continued)

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.

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

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

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

1.23 Related parties

A related party is person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party or vice versa or an entity that is subject to common control or joint control.

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

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

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

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

Accounting Policies

1.24 Cash and Cash Equivalents

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.25 Changes in accounting policies, estimates and errors

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening. The provisions of IGRAP 1 have been applied prospectively in line with IGRAP 1.

1.26 Events after the reporting date

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

1.27 Comparative Information

Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative. amounts are reclassified. The nature and reasons for the reclassification are disclosed, in note 40, Prior period error

1.28 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

2. Changes in accounting estimate

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice. The basis of preparation is consistent with the prior year except for the change in accounting estimate relating to Property plant and equipment. The Municipality conducted a re-assessment of the useful lives of Property plant and equipment within the current financial year. It was established that the useful lives of some categories of assets have changed.

The aggregate effect of the change in accounting estimate relating to a change in the useful life of certain categories of assets on the annual financial statements for the year ended June 2014 and June 2015 is as follows. The (increase)/ decrease in accumulated surplus caused by the change is as follows:

Statement of Financial Performance

Current year Accumulated surplus (Depreciation)	(2,049,423)	-
Future Accumulated Surplus (2015)	2,049,423	-
	-	-

3. New standards and interpretations

3.1 Standards and Interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2014 or later periods:

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2016	Unlikely to be significant as the effect is on presentation only.
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	Currently not relevant to the municipality due to the municipality rarely enters into such transactions.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	Currently not relevant to the municipality as it is unlikely that the municipality will enter into any such transaction in the foreseeable furture.
• GRAP 107: Mergers	01 April 2014	Currently not relevant to the municipality as this standard deals with requirements for accounting for a merger between two or more entities, and is unlikely to have an impact on the financial statements of the municipality in the foreseeable future.
• GRAP 20: Related parties	01 April 2014	No significant impact is expected.
• GRAP 11: Consolidation – Special purpose entities	01 April 2014	Currently not relevant to the municipality.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	Currently not relevant to the municipality.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2015	Currently not relevant to the municipality.
• GRAP108: Statutory Receivables	01 April 2015	Currently not relevant to the municipality.
• IGRAP17: Service Concession Arrangements where a	01 April 2015	Currently not relevant to the municipality.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

3.2 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:

Standards / Interpretation	Effective date: Years begining on or after	Expected Impact
• GRAP 25: Employee benefits	01 April 2013	This standard prescribes similar requirements to those in terms of IAS 19; Employee Benefits. Since IAS 19 has been applied in developing the previous accounting policy and no major amedments were effected.municipality have beenstatements of theimpact on the financialpolicy, no significantrequired to the current
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April 2013	No material changes effected
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April 2013	No material changes effected
• GRAP 7 (as revised 2012): Investments in Associates	01 April 2013	Currently not relevant to the municipality.
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April 2013	No material changes effected
• GRAP 12 (as revised 2012): Inventories	01 April 2013	No material changes effected
• GRAP 13 (as revised 2012): Leases	01 April 2013	No material changes effected
• GRAP 16 (as revised 2012): Investment Property	01 April 2013	Currently not applicable to the municipality as the muncipality does not hold nor anticiaptes to hold in the foreseeable furture such property.
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April 2013	No material changes effected
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April 2013	Currently not applicable to the municipality.
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April 2013	No material changes effected
• IGRAP16: Intangible assets website costs	01 April 2013	No material changes effected
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April 2013	No material changes effected

4. Investment property

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	13,903,205	-	13,903,205	13,774,180	-	13,774,180

4. Investment property (continued)

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	13,774,180	129,025	13,903,205

Reconciliation of investment property - 2013

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	14,037,304	(464,975)	201,851	13,774,180

Pledged as security

Carrying value of assets pledged as security

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

Details of valuation

The effective date of the revaluations was 30 June 2013. Revaluations were performed by an independent valuer of DDP Valuers. DDP Valuers are independent to the municipality and have experience in location and category of the investment property being valued.

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

Notes to the Annual Financial Statements

Figures in Rand

5. 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	141,375,100	-	141,375,100	141,375,100	-	141,375,100
Buildings	43,078,504	(26,415,536)	16,662,968	43,078,504	(24,941,078)	18,137,426
Motor vehicles	23,423,221	(19,359,192)	4,064,029	23,423,221	(14,644,518)	8,778,703
Office equipment	845,855	(304,594)	541,261	498,246	(247,063)	251,183
Infrastructure	2,919,824,043	(1,207,348,068)	1,712,475,975	2,891,150,127	(1,131,902,139)	1,759,247,988
Community	191,829,928	(106,745,534)	85,084,394	191,829,928	(101,373,973)	90,455,955
Work in Progress	64,754,434	-	64,754,434	18,194,804	-	18,194,804
Other property, plant and equipment	10,989,508	(8,804,927)	2,184,581	10,731,093	(7,952,700)	2,778,393
Total	**3,396,120,593**	**(1,368,977,850)**	**2,027,142,743**	**3,320,281,023**	**(1,281,061,471)**	**2,039,219,552**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Disposals**	**Transfers**	**Depreciation**	**Total**
Land	141,375,100	-	-	-	-	141,375,100
Buildings	18,137,426	-	-	-	(1,474,458)	16,662,968
Motor vehicles	8,778,703	-	-	-	(4,714,674)	4,064,029
Office equipment	251,183	347,609	-	-	(57,531)	541,261
Infrastructure	1,759,247,988	29,532,416	(293,804)	-	(76,010,625)	1,712,475,975
Community	90,455,955	-	-	-	(5,371,561)	85,084,394
Work in progress	18,194,804	18,096,372	-	28,463,258	-	64,754,434
Other property, plant and equipment	2,778,393	275,177	-	-	(868,989)	2,184,581
	2,039,219,552	**48,251,574**	**(293,804)**	**28,463,258**	**(88,497,838)**	**2,027,142,742**

Notes to the Annual Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers/ Adjustments	Depreciation	Impairment loss	Total
Land	141,212,600	-	162,500	-	-	141,375,100
Buildings	19,611,885	-	-	(1,474,459)	-	18,137,426
Motor vehicles	-	23,423,221	-	(14,644,518)	-	8,778,703
Office equipment	-	498,246	-	(247,063)	-	251,183
Infrastructure	1,820,507,960	1,220,449	9,967,011	(72,447,432)	-	1,759,247,988
Community	95,827,516	-	-	(5,371,561)	-	90,455,955
Work in Progress	11,512,628	16,649,188	(9,967,012)	-	-	18,194,804
Heritage Assets	3,073,654	-	(3,073,654)	-	-	-
Other property, plant and equipment	4,470,258	297,580	-	(1,893,519)	(95,926)	2,778,393
	2,096,216,501	**42,088,684**	**(2,911,155)**	**(96,078,552)**	**(95,926)**	**2,039,219,552**

During the current financial year, the municipality has applied the provisions of Directive 7 in order to establish deemed costs to all immoveable assets. This was been done in order to correct asset values that could not be reliably measured and supported in the previous financial year. It was established that this method would allow the presentation and disclosure of more accurate and reliable information to users of the financial statements. The deemed cost was determined retrospectively as at 30 June 2012. The deemed cost was established by using current replacement cost (CRC) for similar constructed components, depreciated according to the components' age which was based on the condition of the asset to arrive at the depreciated replacement cost (DRC). The valuations were performed by independent consultants, who were also responsible for the compilation of the asset registers (for the different portfolios). The independent consultants were Electrical Infrastructure Assets were revalued by Mamellang Technologies CC, Road Infrastructure Assets were revalued by AB Projects,
Land Assets were revalued by DDP Valuers as per the Valuation Roll,
Water Infrastructure Assets were revalued by i @ Consulting (Pty) Ltd and
Community Assets were revalued by i @ Consulting (Pty) Ltd
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.

6. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Intangible assets	1,501,427	(1,188,980)	312,447	1,289,927	(1,031,942)	257,985

Reconciliation of intangible assets - 2014

	Opening balance	**Additions**	**Amortisation**	**Total**
Intangible assets	257,985	211,500	(157,038)	312,447

Reconciliation of intangible assets - 2013

	Opening balance	**Amortisation**	**Total**
Intangible assets	515,971	(257,986)	257,985

The intangible asset category above relates to software.

7. Heritage assets

	2014			2013		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical buildings	2,858,229	-	2,858,229	2,858,229	-	2,858,229
Works of Art	106,810	-	106,810	106,810	-	106,810
Antinquities	105,715	-	105,715	105,715	-	105,715
Stamps	1,000	-	1,000	1,000	-	1,000
Rare books	1,900	-	1,900	1,900	-	1,900
Total	**3,073,654**	**-**	**3,073,654**	**3,073,654**	**-**	**3,073,654**

Transitional provisions

The municipality has opted to adopt Directive 5 with regards to the Heritage Assets of the municipality whose cost or fair value can not be determined at reporting date. Full compliance of GRAP 103 will be done at 30 June 2015. This will include the appointment of a service provider to perform of a full verification of heritage assets as well as assign values to all heritage assets for the next financial year. As per Directive 7 a list of all Heritage Assets has been included in the Fixed Asset Register of the municpality. This list is available for viewing at the main offices of the municipality. The list includes the following Heritage Assets whose cost or fair value has not been determined at reporting date.

The categories of Heritage Assets include:

Works of Art,

Antiquities

Technology Artifacts

Stamps Collections and Collections of Rare Books

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

8. Employee benefit obligations

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

	2014	2013
Carrying value		
Post-employment medical benefits	(31,543,000)	(40,668,203)
Long Service Award	(5,022,000)	(6,504,708)
	(36,565,000)	**(47,172,911)**

Net expense recognised in the statement of financial performance

	2014	2013
Current service cost - post employment medical benefit & long service awards	2,706,775	1,379,408
Interest cost - post empolyment medical aid benefits & long service awards	3,982,307	2,836,169
Actuarial (gains) losses - post employment medical aid benefits & long service awards	(15,093,993)	947,325
Benefits paid - post employment aid benefits & long awards & long awards	(2,203,000)	(1,326,732)
	(10,607,911)	**3,836,170**

Post-employment medical benefits

Assumptions used at the reporting date:

	2014	2013
Discount rate	8.94 %	8.92 %
CPI	7.05 %	6.31 %
Medical and Inflation	8.05 %	7.81 %
Net effective discount rate	0.82 %	1.03 %

Long Service Awards

	2014	2013
Discount rate used	7.96%	7.13%
Normal salary increase rate	6.33%	5.73%
Net effective discount rate	0.59%	0.38%
Consumer price inflation	6.33%	6.73%

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

8. Employee benefit obligations (continued)

Defined contribution plan

Post retirement health care benefit liability.

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. The most recent actuarial valuations of planned assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2014 by ZAQ Consultants and Actuaries , a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

No other post retirement benefits are provided by the municipality.

The post employment health care benefit plan is a defined benefit plan, of which the members are made up as follows:

In- service members (Employees) 218 (2013 - 219)
Continuation members(Pensioners) 50 (2013 - 49)

The liability in respect of past services has been estimated to be as follows:

In-service members R15, 250, 000 (2013- R22, 797, 815)
Continuation members R16, 293, 000 (2013- R17, 870, 388)

Long service awards

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. We have converted the awarded leave days to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee’s long service award is projected to the next interval by allowing for future salary growth.

The most recent actuarial valuations of planned assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2014 by ZAQ Consultants and Actuaries, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. No other long service benefits are provided by the municipality.

According to the information provided, the number of members entitled to receive long service leave awards from the Municipality were:

Male: 322
Female: 118

The expected retirement age for all active employees was assumed to be 65 years

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

8. Employee benefit obligations (continued)

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

The discount rate was therefore set as the yield of the R209 South African government bond as at the valuation date. The actual yield on the R209 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

The municipalities personnel are members of one of the Natal Joint Municipal Pension Fund (NJMPF). As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2014 interim valuations have not yet been released.

9. Inventories

Water inventory	78,454	78,454
Consumable stores	6,886,572	7,705,100
	6,965,026	**7,783,554**

10. Receivables from non-exchange transactions

Debtors-Land Sales	7,652,094	6,726,145
Consumer debtors-rates	29,701,344	16,024,248
Provision for traffic fines	(4,991,654)	-
Sundry Debtors	6,469,216	4,992,690
Other receivables	398,145	452,118
Traffic Fine Debtors	7,144,384	-
	46,373,529	**28,195,201**

11. VAT receivable

VAT	2,819,581	1,221,466

Vat is payable on the receipts basis. Amount claimable to SARS is disclosed in the Vat control account where VAT 201s.and Vat refunds are offset and amounts due or payable to SARS is disclosed

12. Receivables from exchange transactions

Gross balances		
Electricity	9,439,811	9,340,843
Water	16,059,239	7,780,499
Sewerage	11,499,459	9,045,766
Refuse	8,230,712	6,398,451
Other	3,226,649	8,107,130
	48,455,870	**40,672,689**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

12. Receivables from exchange transactions (continued)

Less: Allowance for impairment		
Electricity	(2,290,747)	(1,591,813)
Water	(9,710,697)	(5,159,251)
Sewerage	(8,618,083)	(6,480,510)
Refuse	(6,180,947)	(4,589,166)
Value Added Taxation	(3,917,678)	(2,708,675)
Other	(518,583)	(8,514,780)
	(31,236,735)	**(29,044,195)**

Net balance		
Electricity	7,149,064	7,749,030
Water	6,348,542	2,621,248
Sewerage	2,881,376	2,565,256
Refuse	2,049,765	1,809,285
Value Added Taxation	(3,917,678)	(2,708,675)
Other	2,708,066	(407,650)
	17,219,135	**11,628,494**

Electricity		
Current (0 -30 days)	6,055,163	7,488,750
31 - 60 days	514,239	159,744
61 - 90 days	376,760	54,877
91 - 120 days	122,297	45,659
121 - 150 days	80,605	-
> 150 days	-	-
	7,149,064	**7,749,030**

Water		
Current (0 -30 days)	2,921,337	1,854,303
31 - 60 days	1,216,981	392,020
61 - 90 days	778,269	191,030
91 - 120 days	827,273	183,895
121 - 150 days	604,682	-
> 150 days	-	-
	6,348,542	**2,621,248**

Sewerage		
Current (0 -30 days)	1,289,672	1,706,906
31 - 60 days	619,066	464,613
61 - 90 days	529,040	202,627
91 - 120 days	229,310	191,110
121 - 150 days	214,288	-
> 150 days	-	-
	2,881,376	**2,565,256**

Refuse		
Current (0 -30 days)	939,179	1,224,950
31 - 60 days	435,298	316,525
61 - 90 days	368,770	139,560
91 - 120 days	162,750	128,250
121 - 150 days	143,768	-
> 150 days	-	-
	2,049,765	**1,809,285**

Figures in Rand	2014	2013

12. Receivables from exchange transactions (continued)

Value added Tax		
Current (0 -30 days)	(1,632,915)	-
31 - 60 days	(409,061)	-
61 - 90 days	(317,856)	-
91 - 120 days	(348,234)	(87,771)
121-150 days	(1,209,612)	(2,620,904)
> 150 days	-	-
	(3,917,678)	**(2,708,675)**

Other		
Current (0 -30 days)	2,402,349	(407,650)
31 - 60 days	25,804	-
61 - 90 days	162,375	-
91 - 120 days	62,083	-
121 - 150 days	55,455	-
> 150 days	-	-
	2,708,066	**(407,650)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(29,044,195)	(21,693,634)
Contributions to allowance	(2,192,540)	(7,350,561)
	(31,236,735)	**(29,044,195)**

In the determination of the amounts deemed to be impaired at financial year end, the municipal impairment policy was applied as follows:

The value of the provision is determined as follows:

0% of consumer debt greater than 0 days but less than or equal to 90 days

50% of consumer debt greater than 91 days but less than or equal to 120 days

50% of consumer debt greater than 121 days but less than or equal to 150 days

100% of consumer debt greater than 151 days

The calculation for impairment excludes property rates, rates penalties, rates collection charges, legal fees, and all Government debt

13. Cash and cash equivalents

Cash and cash equivalents consist of the following:

Cash on hand and Petty cash	6,297	6,397
Bank balances	11,502,240	5,120,015
Short-term deposits	41,642,942	78,084,193
	53,151,479	**83,210,605**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2014	Bank statement balances 30 June 2013	Bank statement balances 30 June 2012	Cash book balances 30 June 2014	Cash book balances 30 June 2013	Cash book balances 30 June 2012
ABSA - Cheque account-1005001109	11,366,984	5,499,232	5,029,273	11,420,569	5,120,015	4,501,434
Nedbank-Current account-1067379770	81,671	-	-	81,671	-	-
Total	**11,448,655**	**5,499,232**	**5,029,273**	**11,502,240**	**5,120,015**	**4,501,434**

Short term deposits		
Absa 9195460586	501,623	19,854,550
Absa 9229810136	2,166,834	2,091,300
Absa 9061060389	918,480	909,345
Standard Bank 068461763-003	11,142,288	10,563,292
Investec 1100471224451	11,424,957	10,844,989
Standard Bank 068461763-005	5,867,922	5,595,292
SIMS MUNVRY	1,817,474	20,720,984
Absa 5598098427	1,489,830	1,489,830
Absa 9122861337	64,984	62,950
Absa 9229810534	735,017	709,394
First National Bank 74355032547	5,513,533	5,242,267
	41,642,942	**78,084,193**

14. Finance lease obligation

Minimum lease payments due		
- within one year	4,785,844	5,944,843
- in second to fifth year inclusive	3,194,107	7,979,951
Present value of minimum lease payments	**7,979,951**	**13,924,794**

Non-current liabilities	3,195,295	7,629,159
Current liabilities	4,785,845	5,951,259
	7,981,140	**13,580,418**

Finance leases were not previously recognised in the annual financial statements. The leases identified in the current financial year relate to vehicles and office equipment. Some of these leases have been in existence since the prior period. The leases have been recognised at the lower of the present value of minimum lease payments and fair value at the date of inception. Where leases have been in existence in years prior to the current reporting period, the prior period balances and effects on profit/loss has been recognised retrospectively.

The average lease term for leases is 3 years and a discounted rate of 8 % has been used for the purposes of amortisation of the lease balance.

Figures in Rand	2014	2013

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Integrated National Electrification Grant	-	4,262,728
Gijima Grant	38,830	38,830
EDI Grant	55,518	55,518
Land Use Management Grant	229,850	229,850
Provincial Housing Grant	60,000	60,000
Municipal Infrastructure Grant	-	7,124,643
Upgrade Billing Emondlo	3,166	3,166
Performance Management System	29,045	29,045
Housing Grant	225,383	225,383
COGTA Grant : Thusong Centre	3,264,066	5,786,430
Emergency Repair Grant (COGTA)	716,222	4,550,283
Museum	21,441	-
Library Grant	457,797	-
Small Town Rehabilitation	454,595	10,563,792
Expanded Public Works Programme Grant	-	148,593
Municipal Assistance Programme Grant (MAP)	-	426,853
Cecil Emmett Sports Grant	229,300	-
Upgrade Cecil Emmett Sports Grant	525,000	-
	6,310,213	**33,505,114**

16. Provision for environmental rehabiliation

Reconciliation of provision for environmental rehabiliation - 2014

	Opening Balance	Change in inflation factor	Total
Environmental rehabilitation	49,919,105	3,202,424	53,121,529

Reconciliation of provision for environmental rehabiliation - 2013

	Opening Balance	Change in inflation factor	Total
Environmental rehabilitation	47,213,757	2,705,348	49,919,105

Environmental rehabilitation provision

The determination of the costs required for the rehabilitation of the Vryheid eMondlo and Louwsburg landfill sites was done as at June 2012. The Vryheid landfill site will operate until 2045 while the other sites have ceased operations but will still require rehabilitation. The calculated cost estimates were escalated using CPI.

Vryheid	50,044,804	47,027,859
Emondlo	1,344,215	1,263,180
Louwburg	1,732,511	1,628,066
	53,121,530	**49,919,105**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

17. Payables from exchange transactions

Trade payables	19,742,487	19,855,345
Other payables	-	400,030
Unallocated deposits	415,046	346,687
Halls Deposits	53,080	31,095
Leave payment accrual	8,016,752	7,940,604
Retentions	4,525,067	2,813,071
	32,752,432	**31,386,832**

18. Consumer deposits

Electricity	11,884,105	11,353,051
Water	1,016,488	933,406
	12,900,593	**12,286,457**

19. Other liabilities

Other liabilities relate to a loan agreement with Eskom.

The loan carry's no interest.

Eskom liability		
Current portion	1,381,340	1,381,340
Non current portion	1,381,340	2,762,679
	2,762,680	**4,144,019**

20. Revenue

Service charges	209,493,156	186,766,075
Rental of facilities and equipment	1,188,729	799,887
Interest received-sundry debtors	5,420	8,747
Licences and permits	4,414,582	5,215,870
Fair valuation gain	129,024	201,850
Gain on post retirement	10,607,911	-
Other income	1,680,110	1,598,526
Land sales	2,301,071	-
Interest received - investment	4,369,190	3,970,429
Property rates	49,843,775	41,574,200
Property rates - penalties imposed	1,306,087	851,319
Other taxation revenue 1	28,453,532	-
Government grants & subsidies	163,051,447	116,750,702
Fines	9,374,998	1,981,765
	486,219,032	**359,719,370**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	209,493,156	186,766,075
Rental of facilities and equipment	1,188,729	799,887
Interest received-sundry debtors	5,420	8,747
Licences and permits	4,414,582	5,215,870
Fair valuation gain	129,024	201,850
Gain on post retirement benefits	10,607,911	-
Other income	1,680,110	1,598,526
Land sales	2,301,071	-
Interest received - investment	4,369,190	3,970,429
	234,189,193	**198,561,384**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

20. Revenue (continued)

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

Taxation revenue		
Property rates	49,843,775	41,574,200
Property rates - penalties imposed	1,306,087	851,319
Other taxation revenue 1	28,453,532	-
Transfer revenue		
Government grants & subsidies	163,051,447	116,750,702
Fines	9,374,998	1,981,765
	252,029,839	**161,157,986**

21. Property rates

Rates received

Property rates	51,579,030	43,046,944
Rates Rebate	(559,136)	(370,605)
Rates Reduction	(1,176,119)	(1,102,139)
	49,843,775	41,574,200
Property rates - penalties imposed	1,306,087	851,319
	51,149,862	**42,425,519**

Valuations

Residential	3,375,231,004	3,140,905,000
Commercial	1,038,611,025	942,814,100
State	742,517,026	713,741,000
Donation: Sport & Welfare	35,150,000	34,030,000
Schools: Non Government	1,930,000	2,700,000
Vacant land	78,977,100	68,559,000
Non Taxable	691,767,608	317,810,300
Public Service Infrastructure	10,350,000	47,332,000
S P L	2,080,000	5,300,000
Agriculture	2,277,822,450	1,062,602,800
	8,254,436,213	**6,335,794,200**

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

Rates are levied on monthly basis with the final date for payment being the 9th of every month. Interest at prime plus 1% per annum is levied on outstanding rates.

22. Service charges

Refuse removal	13,952,911	12,231,815
Sale of electricity	140,204,417	127,280,663
Sale of water	36,128,073	30,842,126
Sewerage and sanitation charges	19,207,755	16,411,471
	209,493,156	**186,766,075**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Government grants and subsidies

Operating grants		
Equitable share	85,564,797	79,053,000
Municipal Systems Improvement Grant	890,000	800,000
Municipal Assistance Programme (MAP) Grant	426,853	77,245
Expanded Public Works Programme Grant	1,000,000	851,407
Emergency Repair Water Grant (COGTA)	3,834,061	5,239,717
Finance Management Grant	1,550,000	1,500,000
Tourism Operating Grant ZDM	50,000	100,000
Intergrated National Electrification Programme Grant	13,262,729	3,980,447
Cecil Emmet Sports Grant	60,600	-
COGTA Grant: Thusong Centre	2,522,364	81,270
Small Town Rehabilitation Grant	21,609,197	836,208
Library Grant (operating)	2,134,203	1,430,800
Cyber Cadet Library Grant	240,000	-
	133,144,804	93,950,094
Capital grants		
Municipal Infrastructure Grant	29,906,643	22,800,608
	29,906,643	22,800,608
	163,051,447	**116,750,702**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. This grant is unconditional that supplements the revenue that municipalities can raise themselves.

Equitable Share		
Current year receipts	85,564,593	79,053,000
Expenditure	(85,564,593)	(79,053,000)
	-	-

Municipal Systems Improvement Grant

Current-year receipts	890,000	800,000
Conditions met - transferred to revenue	(890,000)	(800,000)
	-	-

Intergrated National Electrification Programme Grant

Balance unspent at beginning of year	4,262,728	243,176
less rolled over expenditure conditions met transferred to revenue	(4,262,728)	(243,176)
Current year receipts	9,000,000	8,000,000
Conditions met - transferred to revenue	(9,000,000)	(3,737,272)
	-	**4,262,728**

Gijima Grant

Balance unspent at beginning of year	38,830	38,830

EDI Grant

Balance unspent at beginning of year	55,518	55,518

Land Use Management Grant

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Government grants and subsidies (continued)

Balance unspent at beginning of year	229,850	229,850

Provincial Housing Grant

Balance unspent at beginning of year	60,000	60,000

Municipal Infrastructure Grant

Balance unspent at beginning of year	7,124,643	8,336,412
less: 2010/2011 unspent grants fortfeited	-	(3,855,160)
less: Expenditure for rolled over funds conditions met transfered to revenue	(7,124,643)	(4,481,252)
Current-year receipts	22,782,000	25,444,000
Conditions met - transferred to revenue	(22,782,000)	(18,319,357)
	-	**7,124,643**

Finance Management Grant

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

Upgrade Billing Emondlo

Balance unspent at beginning of year	3,166	3,166

Performance Management Systems

Balance unspent at beginning of year	29,045	29,045

Housing Grant

Balance unspent at beginning of year	225,383	225,383

COGTA Grant: Thusong Centre

Balance unspent at beginning of year	5,786,430	5,867,700
Conditions met - transferred to revenue	(2,522,364)	(81,270)
	3,264,066	**5,786,430**

Emergency Repair Grant (COGTA)

Balance unspent at beginning of year	4,550,283	3,600,000
Current-year receipts	-	6,190,000
Conditions met - transferred to revenue	-	(5,239,717)
Other	(3,834,061)	-
	716,222	**4,550,283**

Tourism Operation Grant ZDM

Current-year receipts	50,000	100,000
Conditions met - transferred to revenue	(50,000)	(100,000)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Government grants and subsidies (continued)

Library Grants

Current-year receipts	2,592,000	1,430,800
Conditions met - transferred to revenue	(2,134,203)	(1,430,800)
Library expenditure funded internally	-	(479,098)
Internal Funding	-	479,098
	457,797	**-**

Museum Grant

Current-year receipts	284,000	134,000
Conditions met - transferred to revenue	(262,559)	(134,000)
Museum expenditure funded internally	-	(90,311)
Internal Funding	-	90,311
	21,441	**-**

Cyber Cadet Library Grant

Current-year receipts	240,000	-
Conditions met - transferred to revenue	(240,000)	-
	-	**-**

Small Town Rehabilitation Grant

Balance unspent at beginning of year	10,563,792	-
Current-year receipts	11,500,000	11,400,000
Conditions met - transferred to revenue	(21,609,197)	(836,208)
	454,595	**10,563,792**

Expanded Public Works Programme Grant

Balance unspent at beginning of year	148,593	-
Unspent Grant forfited 2012 2013	(148,593)	-
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(851,407)
	-	**148,593**

Municipal Assistance Programme Grant (MAP)

Balance unspent at beginning of year	426,853	504,098
Conditions met - transferred to revenue	(426,853)	(77,245)
	-	**426,853**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

24. Other income

Burial fees	156,880	156,299
Encroachment fees	30,074	27,340
Entrance fees	16,753	14,145
Swimming pool gate fees	8,204	6,921
Klipfontein gate fees	74,621	61,970
Advert/Signs fees	5,449	7,231
IEC Election income	11,600	500
Lost book charges	4,518	4,186
Membership fees	6,317	7,286
Monument erection	30,218	21,639
Park fees	18,131	26,839
Photostat copies	23,643	29,702
Plan fees	115,910	80,598
Print fees	-	124
Rates clearances	63,373	55,031
Rezoning	-	22,070
SETA	184,292	516,288
Special consent	35,681	28,904
Vehicle entrance	-	14,450
Sundry income	373,733	368,634
Tender deposits	121,459	145,636
Stock write up	395,728	-
Building permits	44	88
Business licence	3,333	454
Donation income	-	1,754
Valuation certificate	149	437
	1,680,110	**1,598,526**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

25. General expenses

Advertising	573,725	293,397
Allowance & contributions pensioners	1,375,808	1,312,439
Auditors remuneration	2,482,099	1,283,004
Bank charges	1,221,028	1,134,804
Cleaning materials	291,075	232,180
Commission on vendor sales	904,169	500,915
Compensation commission	-	529,830
Legal expenses	672,352	531,980
Disaster relief	118,276	7,258
Entertainment	223,202	202,727
Electricity & Water services	7,537,839	1,050,998
Indigent burials	265,676	219,501
Insurance	696,012	954,521
Council community projects	744,353	626,609
Conferences and seminars	53,133	44,861
Minor equipment	235,117	216,807
Retentions	-	(2,802,223)
Prayer day	39,955	45,010
SDL Levies	980,927	936,789
Strategic planning	40,660	69,887
Fuel and oil	4,498,767	3,911,429
Point duty at schools	3,840	3,760
Postage and courier	685,700	923,532
Printing and stationery	1,018,624	791,730
Professional fees	641,581	1,293,192
Pension expenditure employee benefits	233,693	384,133
Sports and comm services functions	1,199,887	1,164,595
Wellness program	13,040	20,270
Membership fees	1,071,258	972,521
Telephone and fax	1,248,410	1,391,369
Training	567,665	406,245
Travel and subsistence	2,104,190	1,616,580
Title deed search fees	89,248	41,471
Tourism development	2,474	1,480
Inventory write off	-	68,155
First aid suppliers	7,941	-
Ward committee members allowance	2,584,000	2,158,300
Chemicals	1,076,523	1,096,878
Budget roadshows	936,193	445,647
Other expenses	1,171,515	657,895
	37,609,955	**24,740,476**

26. Employee related costs

Employee related costs- Salaries and Wages	56,499,290	53,496,153
Performance and other bonuses	4,590,229	4,315,425
Employee related costs-Contributons for UIF, Pensions and Medical aids	17,052,812	16,241,617
Leave pay provision charge	2,297,781	3,743,389
Travel, motor car, accommodation, subsistence and other allowances	5,808,516	6,425,100
Overtime payments	8,995,516	10,403,081
Long-service awards	28,673	27,804
Housing benefits and allowances	257,718	341,546
Other employee related costs	8,080,383	6,307,764
	103,610,918	**101,301,879**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

26. Employee related costs (continued)

Remuneration of municipal manager

Annual Remuneration	828,503	710,000
Travel, Motor Car and Other Allowances	20,000	17,500
Other	-	80,011
	848,503	**807,511**

Subsistence and travelling is carried under general expenses.

Remuneration of chief finance officer

Annual Remuneration	1,171,747	1,135,695
Travel, Motor Car and Other Allowances	16,500	18,000
	1,188,247	**1,153,695**

Subsistence and travelling is carried under general expenses

Remuneration director technical

Annual Remuneration	933,267	419,915
Travel, Motor Car and Other Allowances	15,000	81,744
	948,267	**501,659**

Subsistence and travelling is carried under general expenses

Remuneration director corporate

Annual Remuneration	898,182	654,271
Travel, Motor Car and other Allowances	15,000	114,000
	913,182	**768,271**

Subsistence and travelling is carried under general expenses

Remuneration director community

Annual Remuneration	946,447	416,757
Travel, Motor Car and Other Allowances	15,000	100,758
	961,447	**517,515**

Subsistence and travelling is carried under general expenses

Remuneration director planning & development

Annual Remuneration	937,230	528,528
Travel, Motor Car and other Allowances	13,500	86,278
	950,730	**614,806**

Subsistence and travelling is carried under general expenses

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

27. Remuneration of councillors

Mayor	726,182	651,302
Deputy Mayor	584,432	533,872
Executive Committee Members	4,259,673	3,495,758
Speaker	582,453	525,778
Councillors	7,026,017	6,443,570
Councillors travel allowance	85,585	47,651
Councillors cell allowance	716,772	395,516
	13,981,114	**12,093,447**

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time employees. The Mayor, Deputy Mayor and Speaker are each provided with an office and secretarial support at the cost of the Municipality. The Executive Committe members are provided with an office only.

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

The Mayor, deputy mayor and the speaker each has a full-time bodyguard and a driver.

28. Debt impairment

Contributions to debt impairment provision	7,128,490	7,350,562

29. Investment revenue

Interest revenue		
Investments	4,369,190	3,970,429
	-	-
	4,369,190	3,970,429

30. Depreciation and amortisation

Property, plant and equipment	88,497,836	95,887,466
Intangible assets	157,038	257,986
	88,654,874	**96,145,452**

31. Impairment of assets

Impairments		
Property, plant and equipment	-	95,926
	-	95,926
	-	-

32. Finance costs

Interest on external loan	220,955	2,324,835
Finance leases	671,061	2,186,817
	892,016	**4,511,652**

The interest expense on finance leases has been calculated at an effective interest rate of 8% on the present value of the minimum lease payments.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

33. Auditors' remuneration

Fees	2,482,099	1,283,004

34. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	136,275	152,393
Rental income	1,052,454	647,494
	1,188,729	**799,887**
Premises	-	-
Garages and parking	-	-
Facilities and equipment	1,188,729	799,887

35. Contracted services

Other Contractors	32,667,753	26,703,438

36. Grants and subsidies paid

Other subsidies		
Grants Expenditure	33,644,395	19,018,915
Grant Aid	68,190	56,341
SPCA Grant	85,000	80,000
	33,797,585	**19,155,256**
Grants paid to ME's	-	-
Other subsidies	33,797,585	19,155,256

37. Bulk purchases

Electricity	122,108,105	112,199,872

38. Cash generated from operations

Surplus (deficit)	22,197,377	(89,877,401)
Adjustments for:		
Depreciation and amortisation	88,654,874	96,145,452
Loss (Profit) on sale of assets and liabilities	293,804	18,733,416
Provision for Post employee benfits	-	6,585,653
Provision for doubtful debt	7,128,490	7,350,562
Landfill provision	3,202,424	2,705,348
Fair value gain	(129,024)	(201,850)
Acturial Gain	(10,607,911)	-
Traffic revenue accounted on accrual basis	(9,374,998)	(1,981,765)
Impairment	-	95,926
Prior year adjustments	-	(12,757,597)
Changes in working capital:		
Inventories	818,528	(523,581)
Receivables from non-exchange transactions	(18,178,328)	2,348,414
Receivables for exchange transactions	(5,590,641)	(11,628,494)
Other liabilities	(1,381,339)	4,144,018
Payables from exchange transactions	(14,840,363)	1,676,991
Vat receivables	(10,439,061)	954,728
Unspent conditional grants and receipts	(27,194,901)	14,311,936
Consumer deposits	614,136	908,751
	25,173,067	**38,990,507**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

39. Distribution losses

The actual loss in distribution water cannot be determined in view of the fact that eMondlos consumers are not billed. The difference between water purified and sold can therefore not be regarded as lost in distribution, seeing that a large percentage of it is not metered.

Electricity		
Number of consumers (Residential & Commercial)	24,616	19,278
Units purchased	157,723,455	160,162,224
Units sold (Total)	125,454,004	120,376,791
Units lost in Distribution	32,269,451	39,785,433
% Lost in distribution	20.46%	24.84%
Total Costs (Expenses)	172,097,279	144,146,001
Cost per unit purchased.	R1.09	R0.90
	487,568,825	**35,806,889**

Water		
Number of consumers	10,419	10,149
Kilolitres purified	6,613,602	8,048,920
Kilolitres sold (Total)	3,981,547	3,638,718
Kilolitres lost in distribution	2,632,005	4,410,202
% Lost in distribution	39.80%	54.79%
Total Cost (Expense)	50,997,313	28,654,155
Cost per kilolitre purified	R7.71	R3.56
TOTAL COST LOST THROUGH DISTRIBUTION	20,295,708	15,700,319
	-	-

40. Commitments

Authorised capital expenditure

Already contracted for but not completed at year end		
• Property, plant and equipment	34,178,252	30,653,665

Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	51,800,000	31,000,000
• Other financial assets	-	5,786,430
	51,800,000	**36,786,430**

This expenditure relates to Property, plant and equipment will be financed from Government Grants.

Operational Contracted Expenditure

Minimum payments due		
- within one year	27,551,730	27,271,362
- in second to fifth year inclusive	20,825,087	52,792,556
	48,376,817	**80,063,918**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

41. Contingencies

Legal letters were sent to the Municipalities attorneys in order to obtain details of potential claims against the municipality. Responses were received back from B.M Thusini Attorneys and Cox & Partners. The details of the claimant and an estimation of the potential claim is detailed below.As at the end of the financial year the municipality had the following litigation matters outstanding:

African Oxygen Ltd	8,000	8,000
Martin and Mathinius Pretoruis	400,000	400,000
Martin and Mathinius Pretoruis	100,000	-
Isithwalwandwe Projects	700,000	-
51 employees	50,000	50,000
Appeals Board	150,000	-
Eric Maphiri	50,000	-
KwaZulu Infra	2,000,000	-
IFP & Mthembu	100,000	100,000
Mrs Martha Laas	200,000	200,000
Johannes C. Van der Colff	80,000	50,000
Afriforum	25,000	-
Noord Vrystaat Graan & Vee	100,000	-
Itramas	500,000	-
Nashay Singh	550,000	-
Tender documents relating to reading of meters	37,747	-
MEC, IFP and others (legal fees)	200,000	-
JD Hoffman (legal fees and damages)	145,301	40,000
Metgovis Pty Ltd (legal fees and damages)	105,873	-
SA Local authorities pension fund (legal fees and damages)	431,980	-
Dumani Projects Pty Ltd (legal fees and damages)	342,545	-
Claveshay Estates	36,246	-
High Court Case no. 3265/2009 Edcon Ltd and Worley and Parsons RSA (legal fees plus damages)	6,157,101	-
Quantum Leap Investments	5,904	5,337
TZ 98 Illegal occupation of ERF 561	56,558	-
T423 Non- responsive Client	5,154	-
Petroleum Pty Ltd	2,000	-
Isithwalandwe Projects	-	700,000
Kwazulu Infra	-	2,000,000
Hlonhwane Sphiwe/Zwane Linda	-	2,000
Mr SE Mkhwananzi	-	10,000
Riaz Ally/ Umnotho Wezibi Recycling	-	10,000
Dolphin Coast Waste and Aqua Plant Hire	-	9,087
Linda Zwane	-	10,000
Edcon Limited	-	200,000
BJ Bender	-	70,000
MP Mdletshe	-	31,373
Gracelands Investments	-	27,720
	12,539,409	**3,923,517**

Figures in Rand	2014	2013

42. Prior period errors

The aggregate effect of the prior year adjustments in the annual financial statements for the period ended 30 June 2014 is as follows:

Statement of financial position

	-	-
Opening Accumulated Surplus or Deficit	-	-
Balance as previously reported	-	930,110,485
Prior year loss incorrectly transferred to munsoft as R51,326,392 instead of R51, 130, 355	-	(196,037)
Vote 920 703 416 & 940 704 911 incorrectly reflected as asset votes in the prior year	-	158,040
Land income incorrectly posted to vote 1450 326 222	-	25,680
Receipts from sales incorrectly captured against revenue instead of the land sale debtor in the prior year	-	(868,632)
Sale of additional land sites not recognised within revenue in the prior year	-	160,000
Over expenditure of INEG Grant in the prior year	-	(5,767,662)
Stock adjustment resulting from stcok count not accounted for in the prior year	-	(157,246)
Consol interphase - system generated journal	-	(518,587)
Incorrect allocation of a payment to a Debit Suspense account in the prior year	-	(91,563)
Restated Balance as at 30 June 2013	-	923,806,701
Receivables from non exchange transactions	-	-
Balance as previously reported	-	28,426,605
Receipts from sales of land incorrectly captured against revenue instead of land sale debtor	-	(868,632)
Sale of additional land sites not recognised within revenue in the prior year	-	160,000
Debtors for insurance claims incorrectly created in the prior year	-	(133,069)
Incorrect allocation of impairment to debtors vote account in the prior year	-	(91,563)
Restated balance as at 30 June 2013	-	27,493,341
	-	-
Balance as previously reported	-	28,445,149
Pension recovery	-	(18,543)
Restated balance	-	28,426,605
Payables from exchange transactions	-	-
Balance as previously reported	-	26,608,605
Pension recovery re-allocated from receivables from non-exchange transactions	-	18,544
Restated Balance as at 30 June 2013	-	29,590,061
Cash and cash equivalents	-	-
Balance as previously reported	-	54,985,180
Re-allocation of the short term deposits	-	28,225,425
Restated Balance as at 30 June 2013	-	83,210,605
Vat receivable	-	-
Balance previously reported	-	1,221,466
Reallocation from trade payables	-	2,604,541
Restated balance	-	3,826,007
Trade payables	-	-
Balance previously reported	-	17,231,544
Reallocation of vat	-	2,604,541
Restated balance	-	19,836,085
Restatement in Disclosure	-	-
Opearting Lease Disclosure	-	-
As previously reported	-	13,890,425
Recognition of additional operating leases not previously disclosed	-	66,173,494
Restated disclosure	-	80,063,919
Finance Lease Disclosure	-	-
As previously reported	-	-
Finance leases not previously recognised	-	1,515,840
Restated disclosure	-	1,515,840

Notes to the Annual Financial Statements

42. Prior period errors (continued)

Figures in Rand	2014	2013
Statement of Financial Performance		
Prior year loss incorrectly transferred to munsoft as R51,326,392 instead of R51, 130, 355	1	-
Other 1	1	-
Other 2	1	-
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Other 3	1	-
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Prior year loss incorrectly transferred to munsoft as R51,326,392 instead of R51, 130, 355	1	-
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42. Prior period errors (continued)

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013

43. Risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate, utilised borrowing facilities are monitored. The liquidity ratio is outlined below:

Financial instruments		
Current Assets	127,294,994	131,152,449
Current Liabilities	59,035,647	84,511,001
	-	-
Liquidity ratio	2.15 : 1	1.55 : 1

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.

At 30 June 2014, financial instruments exposed to interest rate risk were call and notice deposits.

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 evaluates credit risk relating to customers on an ongoing basis in terms of council policy. Sales to consumer customers are settled in cash. The Municipalities exposure to credit risk is indicated below.

Financial instrument	**2014**	**2013**
Cash and cash equivalents	53,151,479	83,210,605
Receivables from non-exchange transactions	46,373,529	28,195,201
Receivables from exchange Transactions	17,402,507	10,741,623

44. Going concern

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

45. Unauthorised expenditure

Opening balance	-	19,173,112
Retention held inclusive Vat	184,512	-
Off set against balance MIG	(100,834)	-
Over expenditure INEG (See note below)	5,767,661	(19,173,112)
Approved by council in current year	(5,851,339)	-
Overspending of the total approved budget	17,776,301	32,191,255
	17,776,301	**32,191,255**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

45. Unauthorised expenditure (continued)

The Municipality received an amount of R 9 million for the 2013/14 allocation. A further R 4,262,728.40 was carried forwarded/ rolled over from the 2012/13 financial year. The Municipality incurred expenditure totaling R 19,030,390.12 for Vrede Cliffdale Project. The over-expenditure of R 5,767,661.51 was incurred with the understanding that the Department would reimburse the Municipality. An application to the Department of Energy was made regarding the additional funding required to subsidize the over-expenditure, to date no response was received. Therefore to conform to our reporting requirements, the over-expenditure which was not budgeted in the 2013/14 financial year needs to be approved, as this expenditure was funded from Internal Sources (Accumulated Surplus Account)

46. Fruitless and wasteful expenditure

	2014	2013
Opening balance	9,314	618,087
Penalties -SARS	203,273	-
Interest Eskom	17,681	9,314
Overpayment on acting allowance	379,472	-
Approved by Council	(220,954)	(618,087)
	388,786	**9,314**

The total fruitless and wasteful expenditure was approved by council during the current financial year after a detail investigation was performed on the irregularity of the expenditures.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

47. Irregular expenditure

Opening balance	851,084	24,220,359
Add: Irregular Expenditure - current year:	-	2,864,722
AP SHANGASE & ASSOCIATES	63,138	-
AFROX	23,461	-
BONAKUDE CONSULTING	1,312,108	-
CHRIS VERMAAK	223,886	-
G4S CASH SOLUTIONS (SA) (PTY)LTD	303,555	-
INQOLOBANE CIVILS	56,340	-
K D ELECTRICAL	196,811	-
KUNTWELA ENZANSI VENTURES CC	1,408,762	-
LASERCOM	705,388	-
LINK UP SECURITY	626,932	-
MUNICIPAL INCORP	1,580,961	-
MWEB CONNECT (PTY) LTD	86,905	-
OTIS (PROPRIETARY) LIMITED	15,807	-
SABC GROUP SALES & MARKETING	145,555	-
SAMKELINTOKOZO CC	143,804	-
SHALOM SECURITY SERVICES	96,798	-
STEINER HYGIENE (PTY) LTD	105,854	-
TIME FREIGHT EXPRESS	80,935	-
WINDEED	39,871	-
WSSA	426,372	-
ZULULAND FUNERALS CC	266,470	-
IMPILO ENTERPRISES	2,375,685	-
SIYEZA CONCEPT	435,035	-
GOLD MARKET	297,714	-
BLUE SEAL ENGINEERING CC	2,975	-
GEEKS ON WHEELS	2,980	-
VINKO ENTERPRISES	2,982	-
GEEANEM OUTSOURCING SERVICES	7,068	-
ALPHA SUPER LUBE CC	9,804	-
ABAQULUSI SUPERSPAR	9,807	-
KUSASA COMMODITIES 330 (PTY)LTD T/A GR SOLUTIONS	28,003	-
GOLDMARKT HC 16609	29,714	-
HOSANNA ENTERTAINMENT (PTY)LTD	10,000	-
MKHAWUZI TRADING CC	36,400	-
Rise Again Fire Equipment	59,180	-
Beka Pty Ltd	58,349	-
Ace hardware	75,151	-
Silversolutions 2259	119,200	-
Zamadlomo Constuction	57,873	-
Sparrow Computers	58,240	-
Zero to Hero Trading	16,500	-
Approved by Council	(8,760,797)	(26,233,997)
	3,692,660	**851,084**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Supply Chain Management Deviations more than R200 000		
Installation of the Time and Attendance	-	445,864
Supply and delivery of Mayoral Cup items	-	271,833
Supply and delivery of chemicals	-	208,164
Refuse Removal	-	1,680,000
Siyeza Concept Advertising: Supplying of sporting gear for the Mayoral Cup.	435,040	-
ESRI South Africa: GIS Software	530,442	-
Impilo Enterprises: Hiring of two motor graders for the period of 18 months	2,375,687	-
Phinda Projects cc: Electrification of Vrede and Clifdale	2,184,690	-
NOSA	371,088	-
	5,896,947	**2,605,861**

Supply Chain Management Deviations less than R200 000		
Various deviations less than R200 000	3,751,921	3,607,626

49. Related party disclosure

During the current financial there were no related party transactions identified. The details of prior year related party transctaions have been included below for comparability

Thandazile P Mayise	-	18,751,584
Wife to member of Dolphin Coast is an administration assistant at Ilembe Municipality		
Winile Mntungwa	-	34,505
Wife to member of Sengikhona Solutions CC, works at Ethekwini Municipality		

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

50. Contracted Services

Meter Reading	2,685,579	2,131,629
Computer services	1,586,386	1,743,025
Other Financial Services	1,882,357	362,361
Parks	5,760,331	5,551,695
Security	10,656,795	10,049,151
Refuse Removal	9,052,271	5,755,173
Steiner	92,854	81,837
Digging of graves	55,051	59,610
Enigineer	168,877	187,277
Water Purification	225,625	499,921
Bonakude	46,275	-
Garden Equipment	15,440	-
Mayoral Cup	84,900	-
Engoje Hub Launch	32,850	-
Zululand Funerals	14,070	-
Portitrim	3,540	-
Weiss HR-Land Surveyor	11,000	-
Samro	10,590	-
Athletes food SALGA Games	5,683	-
Contour	6,821	-
Ameu	4,965	-
Lasercom	55,145	-
Nurses working with Traffic	2,850	37,389
Mikros Traffic	-	60,432
Brandfin Trade cc	147,498	124,838
Total Client Services	60,000	56,100
Commission on vendor sales	-	3,000
	32,667,753	**26,703,438**

51. Additional Note in terms of Municipal Finance Management Act

Contributions to organised local government

Council subscriptions	997,038	891,328
Amount paid-current year	(997,038)	(891,328)

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

51. Additional Note in terms of Municipal Finance Management Act (continued)

50.2 PAYEand UIF

	2014	2013
Current year payroll deductions	15,635,044	14,510,948
Amount paid-current year	(15,635,044)	(14,510,948)
	-	-

50.3 Pension and medical aid deduction

	2014	2013
Current year payroll deductions and council contributions	23,221,979	23,114,332
Amount paid-current year	(23,221,979)	(23,114,332)
	-	-

50.4 Councillor's arrear consumer accounts June 2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
M Dlamini	2,213	795	3,009
M S Ntshangase	835	281	1,116
P P Mkhwanazi	45	641	686
M Mdlalose	727	24	751
M Hadebe	541	2,686	3,228
	4,361	**4,427**	**8,790**

50.4 Councillor's arrear consumer accounts June 2013	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
M S Ntshangase	1,648	1,272	2,920
P P Mkhwanazi	39	484	523
M Mdlalose	1,038	2,691	3,729
M Hadebe	606	5,449	6,055
M Masondo	737	7,389	8,126
	4,068	**17,285**	**21,353**

VAT			**Total**
Vat Receivable	3,402,453	1,221,466	4,623,919

52. Provision for doubtful debts

	2014	2013
For receivables from exchange transactions	2,136,837	7,350,561
For receivables from non-exchange transactions	4,991,653	-
	7,128,490	**7,350,561**

53. Interest earned - outstanding debtors

	2014	2013
Current year	5,420	8,747

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

54. Reasons for balance sheet variance

53.1 Road and Infrastructure assets donated during the year

53.2 Decrease in provision for post retirement benefits resulting from acturial valuation

53.3 Included in the actuals is a stock write-up of R 395,728, and a Operation Grant for Meseum

53.4 Revenue received from Land sales in the relating to EXT15 subdivision

53.5 Increased due to Grants received from MIG and ING totalling 40 million being invested during the year.

53.6 Additional grant funding was received from COGTA.

53.7 Accounting for fines on the accrual basis as per the newly effective IGRAP Standard.

53.8 Increased due to the revaluation of assets effective 1 July 2012.

53.9 Increase is as a result of recognisation of Finance lease assets

53.10 Accounting for fines on the accrual basis as per the newly effective IGRAP Standard

53.11 Detailed analysis of expenditure resulted in capitalisation of assets.

53.12 Decrease in contracted services