Laingsburg Local Municipality

Annual Financial Statements
for the year ended 30 June 2014

General Information

Legal form of entity	Local Municipality
Municipal demarcation code	WC051
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Rates and general services - All types of services rendered by the municipality, excluding the following; Housing Services - Supply housing to the community and includes the rental of units owned by the municipality to public and staff; Waste Management Services - The collection, disposal and purifying of waste, refuse and sewerage; Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality; and Water Services - Supplying water to the public.
Mayoral committee	
Executive Mayor	Hon. Theron W du P
Speaker	Hon. Horn HG
Councillors	Cllr. Bobbejee M
	Cllr. Botes P
	Cllr. Botha J
	Cllr. Gouws M
	Cllr. Van As BJ
Grading of local authority	Grade 1
Capacity of local authority	Medium
Accounting Officer	Mr. Williams PA
Chief Finance Officer (CFO)	Ms. Groenewald A
Registered office	2 Van Riebeeck Street Laingsburg 6900
Business address	2 Van Riebeeck Street Laingsburg 6900
Postal address	Private Bag X4 Laingsburg 6900
Bankers	ABSA Bank Standard Bank
Auditors	Auditor General - Western Cape
Attorneys	Blyth & Coetzee Davids Attorneys De Vries, De Wet & Krouwkam

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

Abbreviations

CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

The annual financial statements set out on pages 3 to 90, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed by:

Accounting Officer
PA Williams

Laingsburg - Western Cape

29 August 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Cash and cash equivalents	8	8 317 171	7 959 558
Operating lease asset	3	2 501	-
Receivables from exchange transactions	9	1 362 705	1 329 045
Receivables from non-exchange transactions	10	2 973 506	1 364 415
Inventories	11	5 697 975	2 192 439
Long-term receivables from exchange transactions	12	4 220	4 266
VAT receivable	13	353 420	1 387 004
		18 711 498	**14 236 727**
Non-Current Assets			
Operating lease asset	3	9 373	10 399
Intangible assets	4	343 357	534 296
Investment property	5	4 440 413	4 563 880
Property, plant and equipment	6	147 576 040	145 866 196
Heritage assets	7	43 354	43 354
		152 412 537	**151 018 125**
Total Assets		**171 124 035**	**165 254 852**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	3 282 012	3 771 590
Unspent conditional grants and receipts	15	3 039 538	3 228 083
Provisions	16	205 078	249 314
Consumer deposits	17	395 505	350 868
Employee benefit obligation	18	81 000	123 000
		7 003 133	**7 722 855**
Non-Current Liabilities			
Provisions	16	3 051 584	3 261 710
Employee benefit obligation	18	3 820 000	5 089 000
		6 871 584	**8 350 710**
Total Liabilities		**13 874 717**	**16 073 565**
Net Assets		**157 249 318**	**149 181 287**
Accumulated surplus	19	157 249 318	149 181 287

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Property rates	24	2 614 590	2 105 923
Service charges	25	13 109 628	11 768 089
Government grants & subsidies	26	29 259 698	24 599 043
Rental of facilities and equipment	27	1 120 533	911 388
Income from agency services		120 092	101 938
Fines		17 121 289	2 324 692
Licences and permits		209 385	233 766
Other income	28	249 381	792 445
Interest received	29	965 764	1 045 049
Total revenue		**64 770 360**	**43 882 333**
Expenditure			
Employee related costs	30	(10 148 920)	(9 985 214)
Remuneration of councillors	31	(2 293 077)	(2 144 267)
Depreciation and amortisation	32	(7 799 244)	(7 938 921)
Impairment loss	33	(145 707)	-
Finance costs	34	(206 339)	(306 707)
Debt impairment	35	(12 324 587)	(217 502)
Collection costs		(21 667)	(6 244)
Repairs and maintenance		(1 487 317)	(1 725 171)
Bulk purchases	36	(6 648 043)	(5 676 814)
Contracted services	37	(97 844)	(35 124)
Grants and subsidies paid	38	(1 098 819)	(1 236 766)
General expenses	39	(14 370 306)	(15 478 112)
Total expenditure		**(56 641 870)**	**(44 750 842)**
Operating surplus (deficit)		**8 128 490**	**(868 509)**
Loss on disposal of assets	6	(60 461)	(110 765)
Surplus (deficit) for the year		**8 068 029**	**(979 274)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	150 310 026	150 310 026
Adjustments		
Correction of errors (note 53)	(149 465)	(149 465)
Balance at 01 July 2012 as restated	**150 160 561**	**150 160 561**
Changes in net assets		
Deficit for the year	(979 274)	(979 274)
Total changes	(979 274)	(979 274)
Restated* Balance at 01 July 2013	**149 181 289**	**149 181 289**
Changes in net assets		
Surplus for the year	8 068 029	8 068 029
Total changes	8 068 029	8 068 029
Balance at 30 June 2014	**157 249 318**	**157 249 318**

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		15 280 746	13 419 156
Grants		29 071 153	25 333 997
Interest income		965 764	1 045 049
Other receipts		5 280 639	5 348 425
		50 598 302	45 146 627
Payments			
Cash paid to employees		(13 752 997)	(11 319 481)
Cash paid to suppliers		(24 959 261)	(23 977 612)
Finance costs		(206 339)	(306 707)
Other payments		(1 098 819)	(1 236 766)
		(40 017 416)	(36 840 566)
Net cash flows from operating activities	40	**10 580 886**	**8 306 061**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(10 223 318)	(10 362 198)
Proceeds from long-term receivables from exchange transactions		46	13 201
Net cash flows from investing activities		**(10 223 272)**	**(10 348 997)**
Net increase / (decrease) in cash and cash equivalents		**357 614**	**(2 042 936)**
Cash and cash equivalents at the beginning of the year		7 959 558	10 002 493
Cash and cash equivalents at the end of the year	8	**8 317 172**	**7 959 557**

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	Note
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges - electricity revenue	9 178 300	(120 700)	**9 057 600**	9 019 628	**(37 972)**	
Service charges - water revenue	1 618 000	642 137	**2 260 137**	1 934 029	**(326 108)**	**56.1**
Service charges - sanitation revenue	1 897 200	(9 100)	**1 888 100**	1 744 725	**(143 375)**	**56.2**
Service charges - refuse revenue	1 669 000	1 900	**1 670 900**	1 643 170	**(27 730)**	
Service charges - other	77 800	5 900	**83 700**	44 170	**(39 530)**	**56.3**
Rental of facilities and equipment	829 400	4 400	**833 800**	1 120 533	**286 733**	
Income from agency services	95 000	-	**95 000**	120 092	**25 092**	**56.4**
Licences and permits	248 300	95 300	**343 600**	209 385	**(134 215)**	**56.5**
Other revenue	738 300	(97 700)	**640 600**	249 381	**(391 219)**	**56.6**
Interest earned - external investments	432 600	33 900	**466 500**	556 889	**90 389**	**56.7**
Interest earned - outstanding debtors	158 300	-	**158 300**	408 875	**250 575**	**56.8**
Total revenue from exchange transactions	**16 942 200**	**556 037**	**17 498 237**	**17 050 877**	**(447 360)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	2 156 000	374 000	**2 530 000**	2 614 590	**84 590**	
Property rates - penalties & collection charges	60 000	-	**60 000**	-	**(60 000)**	**56.9**
Government grants & subsidies - capital	11 943 000	-	**11 943 000**	13 416 421	**1 473 421**	**56.10**
Transfers recognised - operating	15 285 600	1 193 050	**16 478 650**	15 843 277	**(635 373)**	
Transfer revenue						
Fines	1 754 800	1 375 200	**3 130 000**	17 121 289	**13 991 289**	**56.11**
Total revenue from non-exchange transactions	**31 199 400**	**2 942 250**	**34 141 650**	**48 995 577**	**14 853 927**	
Total revenue	**48 141 600**	**3 498 287**	**51 639 887**	**66 046 454**	**14 406 567**	
Expenditure						
Employee related costs	(12 808 900)	(169 095)	**(12 977 995)**	(10 148 920)	**2 829 075**	**56.12**
Remuneration of councillors	(2 109 000)	(140 000)	**(2 249 000)**	(2 293 077)	**(44 077)**	
Depreciation and asset impairment	(9 526 400)	-	**(9 526 400)**	(7 944 951)	**1 581 449**	**56.13**
Finance costs	-	-	**-**	(206 339)	**(206 339)**	**56.14**
Debt impairment	(190 500)	500	**(190 000)**	(12 324 587)	**(12 134 587)**	**56.15**
Bulk purchases	(5 848 000)	(452 000)	**(6 300 000)**	(6 648 043)	**(348 043)**	
Contracted Services	(2 181 100)	(2 048 967)	**(4 230 067)**	(4 997 264)	**(767 197)**	**56.16**
Grants and subsidies paid	(3 576 000)	(407 180)	**(3 983 180)**	(2 374 913)	**1 608 267**	**56.17**
Loss on disposal of PPE	(12 100)	3 400	**(8 700)**	(60 461)	**(51 761)**	**56.18**
Other expenditure	(10 280 100)	(3 900)	**(10 284 000)**	(10 979 870)	**(695 870)**	**56.19**

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	Note
Total expenditure	**(46 532 100)**	**(3 217 242)**	**(49 749 342)**	**(57 978 425)**	**(8 229 083)**	
Surplus / (Deficit)	**1 609 500**	**281 045**	**1 890 545**	**8 068 029**	**6 177 484**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**1 609 500**	**281 045**	**1 890 545**	**8 068 029**	**6 177 484**	
Reconciliation						
Format and classification differences						
General expenses				(2 184 213)		
Repairs and maintenance and Collection costs				(1 508 984)		
Contracted services				3 693 197		
Service charges				(1 276 094)		
Grants and subsidies paid				1 276 094		
Actual Amount in the Statement of Financial Performance				**8 068 029**		

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	Note
Statement of Financial Position						
Assets						
Current Assets						
Inventories	1 404 000	-	**1 404 000**	5 697 975	**4 293 975**	**56.20**
Operating lease asset	-	-	**-**	2 501	**2 501**	**56.22**
Receivables from non-exchange transactions	2 622 750	-	**2 622 750**	2 973 506	**350 756**	**56.23**
VAT receivable	-	-	**-**	353 420	**353 420**	**56.25**
Consumer debtors	1 137 666	-	**1 137 666**	1 362 705	**225 039**	**56.23**
Long-term receivables from exchange transactions	-	-	**-**	4 220	**4 220**	**56.24**
Cash	2 050	-	**2 050**	2 050	**-**	**56.7**
Cash and cash equivalents	7 397 439	-	**7 397 439**	8 315 121	**917 682**	**56.7**
	12 563 905	**-**	**12 563 905**	**18 711 498**	**6 147 593**	
Non-Current Assets						
Investment property	4 934 280	-	**4 934 280**	4 440 413	**(493 867)**	
Property, plant and equipment	142 284 472	-	**142 284 472**	147 576 040	**5 291 568**	
Intangible assets	884 506	-	**884 506**	343 357	**(541 149)**	**56.21**
Heritage assets	48 000	-	**48 000**	43 354	**(4 646)**	
Operating lease asset	-	-	**-**	9 373	**9 373**	**56.22**
	148 151 258	**-**	**148 151 258**	**152 412 537**	**4 261 279**	
Total Assets	**160 715 163**	**-**	**160 715 163**	**171 124 035**	**10 408 872**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	9 609 297	-	**9 609 297**	3 282 016	**(6 327 281)**	**56.26**
Consumer deposits	355 000	-	**355 000**	395 505	**40 505**	**56.23**
Employee benefit obligation	-	-	**-**	81 000	**81 000**	**56.27**
Unspent conditional grants and receipts	-	-	**-**	3 039 538	**3 039 538**	**56.26**
Provisions	337 884	-	**337 884**	205 078	**(132 806)**	**56.27**
	10 302 181	**-**	**10 302 181**	**7 003 137**	**(3 299 044)**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	3 820 000	**3 820 000**	**56.27**
Provisions	7 913 181	-	**7 913 181**	3 051 584	**(4 861 597)**	**53.27**
	7 913 181	**-**	**7 913 181**	**6 871 584**	**(1 041 597)**	
Total Liabilities	**18 215 362**	**-**	**18 215 362**	**13 874 721**	**(4 340 641)**	
Net Assets	**142 499 801**	**-**	**142 499 801**	**157 249 314**	**14 749 513**	
Net Assets						
Reserves						
Reserves	2 765 435	-	**2 765 435**	-	**(2 765 435)**	**56.28**
Accumulated surplus	139 734 366	-	**139 734 366**	157 249 314	**17 514 948**	**56.28**
Total Net Assets	**142 499 801**	**-**	**142 499 801**	**157 249 314**	**14 749 513**	

Laingsburg Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial performance											
Property rates	2 216 000	374 000	2 590 000	-		2 590 000	2 614 590		24 590	101 %	118 %
Service charges	14 440 300	520 137	14 960 437	-		14 960 437	13 109 628		(1 850 809)	88 %	91 %
Investment revenue	432 600	33 900	466 500	-		466 500	965 764		499 264	207 %	223 %
Transfers recognised - operational	15 285 600	1 193 050	16 478 650	-		16 478 650	15 843 277		(635 373)	96 %	104 %
Other own revenue	3 824 100	1 377 200	5 201 300	-		5 201 300	18 820 680		13 619 380	362 %	492 %
Total revenue (excluding capital transfers and contributions)	**36 198 600**	**3 498 287**	**39 696 887**	**-**		**39 696 887**	**51 353 939**		**11 657 052**	**129 %**	**142 %**
Employee costs	(12 808 900)	(169 095)	(12 977 995)	-	-	(12 977 995)	(10 148 920)	701 941	2 829 075	78 %	79 %
Remuneration of councillors	(2 109 000)	(140 000)	(2 249 000)	-	-	(2 249 000)	(2 293 077)	-	(44 077)	102 %	109 %
Debt impairment	(190 500)	500	(190 000)			(190 000)	(12 324 587)	12 187 984	(12 134 587)	6 487 %	6 470 %
Depreciation and asset impairment	(9 526 400)	-	(9 526 400)			(9 526 400)	(7 944 951)	3 202 348	1 581 449	83 %	83 %
Finance charges	-	-	-	-	-	-	(206 339)	206 339	(206 339)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(5 848 000)	(452 000)	(6 300 000)	-	-	(6 300 000)	(6 648 043)	348 043	(348 043)	106 %	114 %
Transfers and grants	(3 576 000)	(407 180)	(3 983 180)	-	-	(3 983 180)	(1 098 819)	23 160	2 884 361	28 %	31 %
Other expenditure	(12 473 300)	(2 049 467)	(14 522 767)	-	-	(14 522 767)	(16 037 595)	5 806 356	(1 514 828)	110 %	129 %
Total expenditure	**(46 532 100)**	**(3 217 242)**	**(49 749 342)**	**-**	**-**	**(49 749 342)**	**(56 702 331)**	**22 476 171**	**(6 952 989)**	**114 %**	**122 %**
Surplus / (Deficit)	**(10 333 500)**	**281 045**	**(10 052 455)**	**-**		**(10 052 455)**	**(5 348 392)**		**4 704 063**	**53 %**	**52 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	11 943 000	-	11 943 000	-		11 943 000	13 416 421		1 473 421	112 %	112 %
Surplus / (Deficit) after capital transfers and contributions	**1 609 500**	**281 045**	**1 890 545**	**-**		**1 890 545**	**8 068 029**		**6 177 484**	**427 %**	**501 %**
Surplus / (Deficit) for the year	**1 609 500**	**281 045**	**1 890 545**	**-**		**1 890 545**	**8 068 029**		**6 177 484**	**427 %**	**501 %**

Capital expenditure and funds sources

Total capital expenditure	(12 484 000)	(2 820 729)	(15 304 729)	-		(15 304 729)	(13 428 869)		1 875 860	88 %	108 %
Sources of capital funds											
Transfers recognised - capital	11 943 000	2 880 999	14 823 999	-		14 823 999	13 416 422		(1 407 577)	91 %	112 %
Internally generated funds	541 000	(60 270)	480 730	-		480 730	96 436		(384 294)	20 %	18 %
Total sources of capital funds	**12 484 000**	**2 820 729**	**15 304 729**	**-**		**15 304 729**	**13 512 858**		**(1 791 871)**	**88 %**	**108 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	12 489 757	-	12 489 757	-		12 489 757	10 580 886		(1 908 871)	85 %	85 %
Net cash from (used) investing	(12 484 000)	(2 820 729)	(15 304 729)	-		(15 304 729)	(10 223 272)		5 081 457	67 %	82 %
Net increase / (decrease) in cash and cash equivalents	**5 757**	**(2 820 729)**	**(2 814 972)**	**-**		**(2 814 972)**	**357 614**		**3 172 586**	**(13)%**	**6 212 %**
Cash and cash equivalents at the beginning of the year	7 319 439	2 820 729	10 140 168	-		10 140 168	7 959 558		(2 180 610)	78 %	109 %
Cash and cash equivalents at year end	**7 325 196**	**-**	**7 325 196**	**-**		**7 325 196**	**8 317 172**		**(991 976)**	**114 %**	**114 %**

Appropriation Statement

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2013				
Financial performance				
Property rates				2 105 923
Service charges				11 768 089
Investment revenue				1 045 049
Transfers recognised				24 599 043
Other own revenue				4 364 229
Total revenue (excluding capital transfers and contributions)				**43 882 333**
Employee costs	748 714	748 714	-	(9 985 214)
Remuneration of councillors	-	-	-	(2 144 267)
Debt impairment	255 931	255 931	-	(217 502)
Depreciation and asset impairment	2 859 437	2 859 437	-	(7 938 921)
Finance charges	192 578	192 578	-	(306 707)
Materials and bulk purchases	-	-	-	(5 676 814)
Transfers and grants	8 385	8 385	-	(1 236 766)
Other expenditure	8 162 636	8 162 636	-	(17 355 416)
Total expenditure	**12 227 681**	**12 227 681**	**-**	**(44 861 607)**
Surplus / (Deficit)				**(979 274)**
				-
Surplus / (Deficit)				**(979 274)**
Surplus / (Deficit) for the year				**(979 274)**

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) including any interpretations, guidelines and directives, 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 the accrual basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand. All amounts are rounded to the nearest Rand.

Assets, liabilities, revenues and expenses are not offset, except where offsetting is required or permitted by a Standard of GRAP.

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, except for the changes set out in note 2.1 Changes in accounting policy.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

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

Impairment testing

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

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

Value in use of non-cash generating assets
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.If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment, investment property and intangible assets

The municipality's management determines the estimated useful lives and related depreciation/amortisation charges for the property, plant and equipment, investment properties and intangible assets. These estimates are based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Effective interest rate

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

Allowance for impairment

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

Defined benefit plan and other long-term employee benefits

The defined benefit plan and other long-term employee benefits identified are post-retirement health benefit obligations. The estimated liabilities are recorded in accordance with an actuarial valuation. Additional information is disclosed in Note 18.

1.2 Heritage assets

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

Recognition

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

Where the municipality hold a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be measured, information on such a heritage asset is disclosed in note 7 Heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired at no cost, for nominal consideration or through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

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

Impairment

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

Transfers

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

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

1.2 Heritage assets (continued)

Derecognition

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

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

1.3 Investment property

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

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

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

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

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	20 - 30 years

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

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

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

1.4 Property, plant and equipment

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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 assets, or a combination of assets 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 items of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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

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

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

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

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

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

Item	Average useful life
Land	Indefinite
Buildings	7 - 100 years
Furniture and fixtures	1 - 20 years
Motor vehicles	1 - 6 years
Community assets	15 - 100 years
Housing schemes	1 - 10 years
Refuse site	30 years
Infrastructure	
• Electricity supply	45 - 60 years
• Roads	7 - 100 years
• Sanitation and refuse	5 - 80 years
• Water supply	5 - 80 years
• Storm water	5 - 50 years

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

1.4 Property, plant and equipment (continued)

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

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

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

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

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

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.6 Intangible assets

An asset is identified as an intangible asset when it:

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

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

An intangible asset is recognised when:

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

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

Intangible assets are initially recoognised at cost.

1.6 Intangible assets (continued)

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

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

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

Subsequent to initial measurement Initangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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

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

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

Item	**Useful life**
Computer software	3 - 5 years

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

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

1.7 Financial instruments

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

Classification

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

Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Long-term receivables from exchange transactions	Financial asset measured at amortised cost

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

Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

1.7 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality 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 municipality measures a financial asset and financial liability initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality 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 municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Accounting Policies

1.7 Financial instruments (continued)

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, 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 municipality:
  - 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.

1.7 Financial instruments (continued)

Financial liabilities

The municipality 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 Inventories

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

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

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

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

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

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

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

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

Water is regarded as inventories when the municipality purchases water in bulk with the intention to resell it to consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in water dams under the control of the municipality, that are filled by natural resources and that has not yet been treated, cannot be measured reliabily as there is no cost attached to the water, and it is therefore not recognised as inventories.

The basis for determining the cost of water purified and not yet sold at the reporting date comprises all costs of purification, cost of conversion and cost incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are therefore valued at purified cost insofar as it is stored and controlled in reservoirs at the reporting date.

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.

1.9 Non-current assets held for sale and disposal groups

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

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

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

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

1.10 Leases

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

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

1.11 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.

1.11 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

When estimating the value in use of an asset, the 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.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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.

1.11 Impairment of cash-generating assets (continued)

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 municipality 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.

Reversal of impairment loss

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

1.12 Impairment of non-cash-generating assets

Identification

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

1.13 Employee benefits

Short-term employee benefits

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

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

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality 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 municipality 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 municipality provides post-employment benefits for one or more employees.

Accounting Policies

1.13 Employee benefits (continued)

Multi-employer plans

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

The municipality contributes to various National- and Provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Post-employment benefits: Defined contribution plans

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

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

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

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

Post-employment benefits: Defined benefit plans

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

The municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

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

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

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

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

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

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

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

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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

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

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

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

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

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

1.13 Employee benefits (continued)

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Long-term service awards

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

The municipality's liability is based on the employee's rendering their services and is based on management's best estimate of the possible outlfow of economic benefits.

1.13 Employee benefits (continued)

Termination benefits

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

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

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

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money.

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

1.14 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 expenditure.

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

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when the municipality:
- 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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54&55.

Decommissioning, restoration and similar liability

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

The related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

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

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

1.15 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.

Measurement

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

1.15 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

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

When 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 the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest

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

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

1.16 Revenue from non-exchange transactions

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

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

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

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.

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.

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

1.16 Revenue from non-exchange transactions (continued)

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.

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

Measurement

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

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

Property rates

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

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

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

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

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

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

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

1.16 Revenue from non-exchange transactions (continued)

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

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

Collection charges and penalties

Collection charges and penalty interest is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and;
- the amount of the revenue can be measured reliably
- to the extent that there has been compliance with the relevant legal requirements (if applicable).

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Concessionary loans received

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

1.17 Borrowing costs

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

1.18 Accumulated surplus

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

Included in the accumulated surplus of the municipality, is the following reserves that are maintained in terms of specific requirements. Refer to note 19.

The Housing Development Fund:
Sections 15(5) and 16 of the Housing Act, (Act No. 107 of 1997), which came into effect on 1 April 1998, required that hte municipality maintain a separate housing operation account. This legislated separate operating account is known as the Housing Development Fund and is ring fenced within the accumulated surplus.

Accounting Policies

1.18 Accumulated surplus (continued)

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

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- the Housing Development Fund is cash-backed, and invested in accordance with the investment policy of the municipality;
- the proceeds in this fund are utilised for housing development in accordance with the National Housing Policy, and also for housing development projects approved by the MEC for Human Settlements;
- any contributions to or withdrawals from the fund are shown as transfers within accumulated surplus in the statement of changes in net assets; and
- interest earned on the investment of the fund is disclosed as interest received in the statement of financial performance.

Capital Replacement Reserve
The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring fenced financial instruments. The Capital Replacement Reserve is ring fenced and included within accumulated surplus.

Donations and Public Contributions
The Donations and Public Contributions Reserve is a reserve to finance only certain approved future expenditure and is fully invested in ring fenced financial instruments. The Donations and Public Contributions Reserve is ring fenced and included within accumulated surplus.

1.19 Valua Added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payments basis, in accordance with Section 15(2) of the VAT Act (Act No. 89 of 1991).

1.20 Comparative figures

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

1.21 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.22 Fruitless and wasteful expenditure

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

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

1.23 Irregular expenditure

Irregular expenditure 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 municipality’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

1.23 Irregular expenditure (continued)

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. The expenditure is classified in accordance with the nature of the expense.

1.24 Budget information

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting. The actual financial statement information is therefore presented on a comparable basis to the budget information. The comparison between the budgeted and actual information for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.25 Related parties

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

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

Management is defined as the Council, the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

1.26 Commitments

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

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

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

1.27 Grants in aid

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

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

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

Accounting Policies

1.28 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Adjusting events after the reporting date have been accounted for in the annual financial statements and non-adjusting events after the reporting date have been disclosed in the notes to the annual financial statements. Refer to note 45.

1.29 Going concern assumption

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

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

IGRAP16: Intangible assets website costs

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

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

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

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

The Interpretation must be applied retrospectively.

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

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

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

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

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

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

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

This interpretation supersedes the interpretation : Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

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

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

The expected impact of the amendment is an increase in revenue from fines with a related increase in receivables from non-exchange transactions. The increase in receivables from non-exchange transactions may require additional impairment allowance for these receivables.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and Interpretations early adopted

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

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

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

Amendments are to be applied prospectively.

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

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

The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted.

Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.

Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

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

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

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

The impact of the amendment is not material.

2.3 Standards and interpretations issued, but not yet effective

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

GRAP 105: Transfers of functions between entities under common control

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

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

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

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

Specific disclosures are required when there is a transfer of functions between entities under common control.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

GRAP 106: Transfers of functions between entities not under common control

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

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

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

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

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

Specific disclosures are required when there is a transfer of functions between entities not under common control.

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

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

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

GRAP 107: Mergers

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

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

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

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

Specific disclosures are required when there is a merger.

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

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

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

GRAP 20: Related parties

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

The municipality (in this standard referred to as the reporting entity)applies this standard in:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

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

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

The standard elaborates on the definitions and identification of:

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

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

- control;
- related party transactions; and
- remuneration of management

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

GRAP32: Service Concession Arrangements: Grantor

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

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

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

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

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

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

GRAP108: Statutory Receivables

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

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

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

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

Specific disclosures are required for statutory receivables.

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

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

The impact of this standard is currently being assessed.

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

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

Grantor recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Value of the receivable (the right to the residual interest in the asset), at the end of the service concession arrangement, should reflect the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

Grantor recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of arrangement.

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

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

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

2.4 Standards and interpretations not yet effective or relevant

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

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

3. Operating lease asset

	2014	2013
Opening balance	10 399	5 137
Operating lease receipts effected	1 475	5 262
	11 874	**10 399**

Operating lease asset - current and non-current portion

	2014	2013
Current portion to be realised within 12 months	2 501	-
Non-current portion	9 373	10 399
	11 874	**10 399**

Refer to note 41 for future minimum lease receipts.

4. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	895 195	(551 838)	343 357	974 803	(440 507)	534 296

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	534 296	-	-	(190 939)	343 357

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	756 078	-	-	(221 782)	534 296

Pledged as security

None of the above intangible assets are pledged as security.

Non core fully amortised intangible assets still in use (Gross carrying amount)

	2014	2013
Computer software	-	8 831

Register available for inspection

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

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

5. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	9 379 080	(4 938 667)	4 440 413	9 379 080	(4 815 200)	4 563 880

Reconciliation of investment property - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	4 563 880	-	-	(123 467)	4 440 413

Reconciliation of investment property - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	4 934 280	-	-	(370 400)	4 563 880

Details of investment property

Investment property consists of:

	2014	2013
- Land	3 823 080	3 823 080
- Buildings	5 556 000	5 556 000
- Accumulated depreciation on buildings	(4 938 667)	(4 815 200)

Pledged as security

None of the above investment properties have been pledged as security.

Other disclosures

	2014	2013
Rental revenue from investment property	734 594	767 008
Direct operating expenses - incurred to generate rental revenue	174 577	373 762

All of the municipality's investment properties are held under freehold interest.

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.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

6. 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	37 702 716	-	37 702 716	37 688 016	-	37 688 016
Buildings	9 326 775	(6 468 945)	2 857 830	9 326 775	(6 188 632)	3 138 143
Furniture and equipment	3 496 717	(2 537 402)	959 315	3 271 681	(2 249 830)	1 021 851
Motor vehicles	3 754 924	(2 397 021)	1 357 903	3 789 163	(1 986 016)	1 803 147
Infrastructure	174 115 770	(89 584 923)	84 530 847	162 001 054	(83 970 680)	78 030 374
Community	19 474 569	(12 064 320)	7 410 249	19 534 069	(11 592 141)	7 941 928
Refuse site	3 997 082	(757 213)	3 239 869	4 449 547	(552 083)	3 897 464
Assets under construction	8 630 661	-	8 630 661	11 310 848	-	11 310 848
Housing schemes	2 955 500	(2 068 850)	886 650	2 955 500	(1 921 075)	1 034 425
Total	**263 454 714**	**(115 878 674)**	**147 576 040**	**254 326 653**	**(108 460 457)**	**145 866 196**

Notes to the Annual Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Other movements	Depreciation	Impairment loss	Total
Land	37 688 016	-	-	-	14 700	-	-	37 702 716
Buildings	3 138 143	-	-	-	-	(280 313)	-	2 857 830
Furniture and equipment	1 021 851	225 486	-	-	-	(288 022)	-	959 315
Motor vehicles	1 803 147	-	-	-	-	(445 244)	-	1 357 903
Infrastructure	78 030 374	-	(43 561)	12 276 416	-	(5 586 675)	(145 707)	84 530 847
Community	7 941 928	-	-	-	-	(531 679)	-	7 410 249
Refuse site	3 897 464	-	-	-	(452 465)	(205 130)	-	3 239 869
Assets under construction	11 310 848	9 997 832	(16 900)	(12 276 416)	(384 703)	-	-	8 630 661
Housing schemes	1 034 425	-	-	-	-	(147 775)	-	886 650
	145 866 196	**10 223 318**	**(60 461)**	**-**	**(822 468)**	**(7 484 838)**	**(145 707)**	**147 576 040**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Other movements	Depreciation	Impairment loss	Total
Land	37 688 016	-	-	-	-	-	-	37 688 016
Buildings	3 420 938	-	-	-	-	(282 795)	-	3 138 143
Furniture and equipment	1 113 759	231 317	-	-	-	(323 225)	-	1 021 851
Motor vehicles	1 600 300	-	-	-	580 636	(377 789)	-	1 803 147
Infrastructure	81 174 157	-	(110 765)	2 494 036	-	(5 527 054)	-	78 030 374
Community	8 308 615	-	-	173 347	-	(540 034)	-	7 941 928
Refuse site	4 003 096	-	-	-	42 435	(148 067)	-	3 897 464
Assets under construction	3 847 350	10 130 881	-	(2 667 383)	-	-	-	11 310 848
Housing schemes	1 182 200	-	-	-	-	(147 775)	-	1 034 425
	142 338 431	**10 362 198**	**(110 765)**	**-**	**623 071**	**(7 346 739)**	**-**	**145 866 196**

Pledged as security

None of the above assets are pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

6. Property, plant and equipment (continued)

Details on other movements

	2014	2013
Assets received as donation (refer to Note 28)	14 700	580 636
Change in environmental rehabilitation provision asset (refer to Note 16)	(452 465)	42 435
Water meters transferred to inventory (Note 11)	(384 703)	-
	(822 468)	**623 071**

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)	2014	2013
Buildings	20 800	20 800
Furniture and equipment	1 514 523	1 186 205
Motor vehicles	30 334	-
Infrastructure	1 656 326	1 559 071
Community	146 082	146 082
	3 368 065	**2 912 158**

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.

7. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Public statues	43 354	-	43 354	43 354	-	43 354

Pledged as security

None of the above heritage assets are pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 050	7 009
Bank balances	543 890	531 148
Current investment deposits	7 771 231	7 421 401
	8 317 171	**7 959 558**

For the purposes of the statement of financial position and the cash flow statement, cash and cash equivalents include cash on hand, cash in banks and investments in Money Market instruments, net of outstanding bank overdrafts.

Call deposits are investments with a maturity period of less than three months and earn interest at rates varying from 4% per annum.

Deposits of R2 261 681 (2013: R2 258 915) are ring-fenced and attributable to the Capital Replacement Reserve (Note 20).

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Laingsburg - Current Account - 2540140874	576 646	494 014	1 624 857	543 889	531 148	945 479
ABSA Laingsburg - Call Account - 5064314329	3 248 935	3 119 151	4 923 814	3 248 935	3 119 151	4 923 814
Standard Bank - Money Market Call Account - 288704800	4 522 297	4 302 249	4 131 149	4 522 297	4 302 249	4 131 149
ABSA Laingsburg - Traffic Fines Sweeping Account - 4074336029	-	-	-	-	-	-
Total	**8 347 878**	**7 915 414**	**10 679 820**	**8 315 121**	**7 952 548**	**10 000 442**

9. Receivables from exchange transactions

Gross balances		
Electricity	785 508	703 219
Water	829 049	739 431
Sewerage	1 044 004	889 478
Refuse	596 855	572 252
Housing rental	281 252	188 816
	3 536 668	**3 093 196**
Less: Allowance for impairment		
Electricity	(190 443)	(191 040)
Water	(599 292)	(498 393)
Sewerage	(780 070)	(627 015)
Refuse	(427 279)	(356 290)
Housing rental	(176 879)	(91 413)
	(2 173 963)	**(1 764 151)**
Net balance		
Electricity	595 065	512 179
Water	229 757	241 038
Sewerage	263 934	262 463
Refuse	169 576	215 962
Housing rental	104 373	97 403
	1 362 705	**1 329 045**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

9. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	483 046	501 792
31 - 60 days	20 072	12 287
61 - 90 days	27 443	12 202
91 - 120 days	38 509	13 533
> 120 days	216 438	163 405
Less: Allowance for impairment	(190 443)	(191 040)
	595 065	**512 179**

Water		
Current (0 -30 days)	103 750	90 526
31 - 60 days	25 704	35 953
61 - 90 days	26 417	31 411
91 - 120 days	23 381	31 400
> 120 days	649 797	550 141
Less: Allowance for impairment	(599 292)	(498 393)
	229 757	**241 038**

Sewerage		
Current (0 -30 days)	77 188	95 280
31 - 60 days	35 165	43 192
61 - 90 days	35 750	39 132
91 - 120 days	34 052	40 011
> 120 days	861 849	671 863
Less: Allowance for impairment	(780 070)	(627 015)
	263 934	**262 463**

Refuse		
Current (0 -30 days)	91 815	102 595
31 - 60 days	17 319	26 393
61 - 90 days	20 409	22 605
91 - 120 days	19 979	23 096
> 120 days	447 333	397 563
Less: Allowance for impairment	(427 279)	(356 290)
	169 576	**215 962**

Housing rental		
Current (0 -30 days)	45 769	42 490
31 - 60 days	12 445	9 868
61 - 90 days	16 775	13 742
91 - 120 days	12 576	7 919
> 120 days	193 687	114 797
Less: Allowance for impairment	(176 879)	(91 413)
	104 373	**97 403**

Figures in Rand	2014	2013

9. Receivables from exchange transactions (continued)

Summary of receivables by customer classification

	2014	2013
Consumers		
Current (0 -30 days)	359 283	481 418
31 - 60 days	80 956	112 867
61 - 90 days	99 937	103 638
91 - 120 days	87 806	106 934
> 120 days	1 953 806	1 726 524
Less: Allowance for impairment	(1 856 481)	(1 557 231)
	725 307	**974 150**
Businesses		
Current (0 -30 days)	386 708	239 334
31 - 60 days	18 714	5 679
61 - 90 days	19 203	7 456
91 - 120 days	8 119	5 679
> 120 days	203 683	114 033
Less: Allowance for impairment	(174 070)	(101 576)
	462 357	**270 605**
Industry		
Current (0 -30 days)	18 198	16 476
31 - 60 days	2 103	-
Less: Allowance for impairment	-	-
	20 301	**16 476**
Municipal		
> 120 days	144	144
Less: Allowance for impairment	(144)	(144)
	-	**-**
Government		
Current (0 -30 days)	24 924	44 549
31 - 60 days	8 860	5 334
61 - 90 days	4 111	8 838
91 - 120 days	30 549	3 659
> 120 days	185 718	135 897
Less: Allowance for impairment	(121 524)	(101 002)
	132 638	**97 275**
Institutions		
Current (0 -30 days)	89	1 613
31 - 60 days	89	900
61 - 90 days	89	713
91 - 120 days	89	1 613
> 120 days	4 387	6 739
Less: Allowance for impairment	(4 209)	(810)
	534	**10 768**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

9. Receivables from exchange transactions (continued)

Churches		
Current (0 -30 days)	8 997	9 314
31 - 60 days	1 977	1 729
61 - 90 days	1 321	1 113
91 - 120 days	1 321	-
> 120 days	12 697	-
Less: Allowance for impairment	(10 030)	-
	16 283	**12 156**

Municipal officials		
Current (0 -30 days)	280	2 717
31 - 60 days	280	2 679
61 - 90 days	280	387
91 - 120 days	280	239
> 120 days	8 159	3 866
Less: Allowance for impairment	(7 504)	(3 388)
	1 775	**6 500**

Councillors		
Current (0 -30 days)	3 097	2 683
Less: Allowance for impairment	-	-
	3 097	**2 683**

Vacant Land		
Current (0 -30 days)	412	881
31 - 60 days	-	809
Less: Allowance for impairment	-	-
	412	**1 690**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 764 151)	(1 388 866)
Contributions to allowance	(409 812)	(375 285)
Sundry receivables	**(2 173 963)**	**(1 764 151)**

Credit quality of receivables from exchange transactions

The credit quality of receivables from exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from exchange transactions past due but not impaired

At 30 June 2014, R 496 780 (2013: R 513 926) of receivables from exchange transactions were past due but not impaired.

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

1 month past due	93 390	108 004
2 months past due	108 855	100 497
3 months past due	294 535	305 425

Figures in Rand	2014	2013

9. Receivables from exchange transactions (continued)

Receivables from exchange transactions impaired

As of 30 June 2014, receivables from exchange transactions of R 409 812 (2013: R 375 285) were impaired and provided for.

The amount of the allowance was R 2 173 962 as of 30 June 2014 (2013: R 1 764 151).

The ageing of these loans is as follows:

3 to 6 months	63 040	75 306
Over 6 months	2 110 922	1 688 845

10. Receivables from non-exchange transactions

Fines	13 419 520	-
Government grants and subsidies	507 762	604 491
Assessment rates	2 621 830	2 052 914
Less: Allowance for impairment	(13 879 387)	(2 002 544)
Sundry receivables	258 396	669 414
Sundry deposits	45 385	40 140
	2 973 506	**1 364 415**

Assessment rates: Gross balance		
Current	6 922	6 919
31 - 60 days	19 638	14 199
61 - 90 days	18 150	12 016
91 - 120 days	17 709	11 980
> 120 days	2 559 411	2 007 800
	2 621 830	**2 052 914**

Assessment rates: Allowance for impairment		
Current	(353)	-
31 - 60 days	(3 776)	(4 294)
61 - 90 days	(3 460)	(3 785)
91 - 120 days	(3 366)	(3 614)
> 120 days	(2 520 143)	(1 990 851)
	(2 531 098)	**(2 002 544)**

Assessment rates: Net balance		
Current	6 568	6 919
31 - 60 days	15 862	9 904
61 - 90 days	14 691	8 232
91 - 120 days	14 343	8 365
> 120 days	39 268	16 950
	90 732	**50 370**

Figures in Rand	2014	2013

10. Receivables from non-exchange transactions (continued)

Fines: Gross balance

Current	1 467 334	-
31 - 60 days	1 329 972	-
61 - 90 days	1 905 828	-
91 - 120 days	1 787 662	-
> 120 days	6 928 724	-
	13 419 520	**-**

Fines: Allowance for impairment

Current	(1 240 859)	-
31 - 60 days	(1 124 698)	-
61 - 90 days	(1 611 674)	-
91 - 120 days	(1 511 746)	-
> 120 days	(5 859 312)	-
	(11 348 289)	**-**

Fines: Net balance

Current	226 475	-
31 - 60 days	205 274	-
61 - 90 days	294 154	-
91 - 120 days	275 916	-
> 120 days	1 069 412	-
	2 071 231	**-**

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions past due but not impaired

At 30 June 2014, receivables from non-exchange transactions of R 1 648 412 (2013: R 42 833) were past due but not considered to be impaired.

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

1 month past due	297 409	9 818
2 months past due	278 061	8 158
3 months past due	1 072 941	24 857

Receivables from non-exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions of R 11 360 951 (2013: R -) were impaired and provided for.

The amount of the allowance for impairment was R 13 879 386 as of 30 June 2014 (2013: R 2 002 544).

The ageing of these receivables are as follows:

0 to 3 months	3 984 819	8 079
3 to 6 months	3 965 010	10 153
Over 6 months	5 929 557	1 984 312

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

10. Receivables from non-exchange transactions (continued)

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

Opening balance	(2 002 544)	(2 184 653)
Impairment allowance - Assessment rates	(528 554)	-
Impairment allowance - Fines	(11 348 288)	-
Unused amounts reversed	-	182 109
	(13 879 386)	**(2 002 544)**

11. Inventories

Building materials	328 501	328 501
Consumable stock	548 785	610 321
Electric cable	243 700	243 700
Pre-paid electricity meters	71 489	80 325
Pre-paid water meters	371 371	-
RDP houses	4 114 426	908 875
Water	19 703	20 717
	5 697 975	**2 192 439**

Inventory pledged as security

No inventory was pledged as security.

12. Long-term receivables from exchange transactions

Housing - Self build	123 046	113 110
Less: Allowance for impairment	(118 825)	(108 844)
Current portion transferred to current liabilities	(4 221)	(4 266)
	-	**-**

As from 1 January 2006 no loan agreements are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

Housing - Self build: Gross balances

Current	1 273	1 337
31 - 60 days	978	1 153
61 - 90 days	884	946
91 - 120 days	911	1 007
> 120 days	119 000	108 667
	123 046	**113 110**

Housing - Self build: Allowance for impairment

Current	(376)	(368)
31 - 60 days	(244)	(368)
61 - 90 days	(265)	(368)
91 - 120 days	(320)	(368)
> 120 days	(117 620)	(107 372)
	(118 825)	**(108 844)**

Figures in Rand	2014	2013

12. Long-term receivables from exchange transactions (continued)

Housing - Self build: Net balances		
Current	896	969
31 - 60 days	734	785
61 - 90 days	619	578
91 - 120 days	591	639
> 120 days	1 381	1 295
	4 221	**4 266**

Reconciliation of allowance for impairment of long-term receivables from exchange transactions		
Opening balance	(108 844)	(84 519)
Impairment - current year	(9 981)	(24 325)
	(118 825)	**(108 844)**

13. VAT receivable

VAT receivable	353 420	1 387 004

The municipality is registered for VAT on the payments basis.

All VAT returns were submitted throughout the year.

No interest is payable to SARS if the VAT is paid timeously, but interest for late payments is charged in accordance withe the provisions of the VAT act. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

14. Payables from exchange transactions

Trade payables	1 783 271	2 415 226
Payments received in advanced	26 938	29 247
Salary related amounts accrued	203 582	282 593
Accrued leave pay	621 096	509 358
Deposits received	61 931	71 357
Receivables in credit	300 624	228 915
Thirteenth cheque	284 570	234 894
	3 282 012	**3 771 590**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Equitable Share	-	-
Municipal Infrastructure Grant	-	-
Financial Management Grant	-	-
Municipal Systems Improvement Grant	-	-
Expanded Public Works Programme	-	-
Kick-abouts Grant	-	-
Community Workers Development	-	1 106
Provincial: Library Services	-	-
Management Support Grant	500 000	-
Financial Management Support Grant	207 536	-
Provincial: Municipal Finance Improvement Program	796 437	-
Maintenance of Proclaimed Roads	-	-
Matjiesfontein UISP	574 848	1 262 137
Shared services: Legal services	-	250 000
Shared services: Internal audit	-	150 000
Organisational Development Project	-	500 000
Provincial: Sub Seta	-	-
Department of Water Affairs (DWA)	575 883	575 883
Department Environmental Affairs and Tourism	82 106	106 667
Provincial: Department Transport	190 588	270 150
Local Government: Local Municipalities	112 140	112 140
	3 039 538	**3 228 083**

Movement during the year

Balance at the beginning of the year	3 228 083	2 493 129
Additions during the year	28 977 082	25 333 994
Income recognition during the year	(29 259 698)	(24 599 040)
Amounts transferred to receivables from non-exchange transactions	94 071	-
	3 039 538	**3 228 083**

See note 26 for reconciliation of grants from National / Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

16. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	3 021 697	-	-	(452 465)	193 389	2 762 621
Performance bonuses	116 342	30 382	(146 724)	-	-	-
Insurance Workman's Compensation Act	121 180	73 451	-	-	-	194 631
Long service awards	251 805	77 266	(29 661)	-	-	299 410
	3 511 024	**181 099**	**(176 385)**	**(452 465)**	**193 389**	**3 256 662**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation - Landfill sites	2 797 429	42 435	-	-	181 833	3 021 697
Performance bonuses	116 342	-	-	-	-	116 342
Insurance Workman's Compensation Act	56 645	64 535	-	-	-	121 180
Long service awards	189 233	76 950	(14 378)	-	-	251 805
	3 159 649	**183 920**	**(14 378)**	**-**	**181 833**	**3 511 024**

	2014	2013
Non-current liabilities	3 051 584	3 261 710
Current liabilities	205 078	249 314
	3 256 662	**3 511 024**

Environmental rehabilitation provision - Landfill sites

At 30 June 2014 the municipality will incur estimated rehabilitation costs of R2 762 621 (2013: R3 021 697) to restore the landfill site at the end of its useful life, estimated to be 19 years. The amount of rehabilitation is dependent on future costs, technology, inflation and site consumption. The discount rate of the provision was 8.1% (2013: 5.9%).

The financial implications of rehabilitating the landfill site was determined by the independent valuator, Ekolaw Consulting.

Performance bonuses

Performance bonuses are paid based on the individual performance as determined by the assessment of key performance indicators, per the performance management system of the municipality. No additional provision was raised during the year as the performance management system of the municipality does not make provision for performance bonuses any longer. These are now included in the annual package of the respective officials.

Insurance Workman's Compensation Act

The provision for WCA insurance is made in terms of the Workman's Compensation Act. This ampount is payable upon and based on assessment by the Workman's Compensation Comissioner.

The provision is based on the returns submitted to the Compensation Commissioner.

Long service awards

A long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. Furthermore a retirement gift is payable on retirement to employees with service of 10 years or more. The provision is an estimate of the long service awards based on historical staff turnover, taking into account management's estimate of the likelihood that staff may leave before long service awards become due. No other long service benefits are provided to employees.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

17. Consumer deposits

Electricity	167 167	116 120
Water	228 338	234 748
	395 505	**350 868**

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

18. Employee benefit obligations

Post retirement medical benefit plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying 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 Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by ZAQ Consultants and Actuaries. 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.

The plan is a post employment medical benefit plan.

Multi-employer pension funds

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the pension fund for municipal councillors.

Employees belong to a variety of approved pension and provident funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

Figures in Rand	2014	2013

18. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(3 901 000)	(5 212 000)
Non-current liabilities	(3 820 000)	(5 089 000)
Current liabilities	(81 000)	(123 000)
	(3 901 000)	**(5 212 000)**

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

Opening balance	5 212 000	4 402 000
Net expense recognised in the statement of financial performance	(1 311 000)	810 000
	3 901 000	**5 212 000**

Net expense recognised in the statement of financial performance

Current service cost	189 000	235 000
Interest cost	510 000	338 000
Actuarial (gains) losses	(1 959 328)	314 000
Benefits paid	(50 672)	(77 000)
	(1 311 000)	**810 000**

Key assumptions used

Assumptions used at the reporting date:

Expected retirement age	63	60
Discount rates used	8,94 %	9,90 %
Health care cost inflation rate	8,05 %	9,10 %
Expected increase in salaries	8,60 %	8,60 %
Consumer price inflation	7,05 %	7,10 %
Net effective discount rate	0,82 %	0,73 %

Over the past year interest rates, bond yields and inflation figures changed significantly. These changes caused the net effective discount rate to increase by around 12.8% (from around 0.73% to 0.82%). This resulted in a higher net effective discount rate and hence an overall decrease in the liability of around R 200,000.

Over the past financial year the expected retirement age was changed from 60 to 63. Changes were also made to update other assumptions like the withdrawal rates. These changes were made in order to be more consistent with management's best estimate. The net effect of this and membership changes was a reduction in the liability of around R 1,800,000.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

18. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the current service cost and interest cost	(102 000)	126 000
Effect on defined benefit obligation	(577 000)	720 000

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

	2014	2013	2012	2011	2010
Defined benefit obligation	3 901 000	5 212 000	4 402 000	4 023 000	2 780 000

19. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2014

	Capital replacement reserve	Donations and public contributions	Housing development fund	Total
Opening balance	2 258 915	32 994 672	1 847 861	37 101 448
Transfer to capital replacement reserve	99 202	-	-	99 202
Property, plant and equipment purchases	(96 436)	-	-	(96 436)
Expenditure incurred	-	-	(180 471)	(180 471)
Rental income	-	-	13 061	13 061
	2 261 681	**32 994 672**	**1 680 451**	**36 936 804**

Ring-fenced internal funds and reserves within accumulated surplus - 2013

	Capital replacement reserve	Donations and public contributions	Housing development fund	Total
Opening balance	2 588 564	32 994 672	1 928 824	37 512 060
Property, plant and equipment purchases	(329 649)	-	-	(329 649)
Expenditure incurred	-	-	(89 022)	(89 022)
Rental income	-	-	8 059	8 059
	2 258 915	**32 994 672**	**1 847 861**	**37 101 448**

20. Capital replacement reserve

The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully invested in ring-fenced financial instruments. The Capital Replacement Reserve is included in accumulated surplus as required by GRAP 1.89.

Capital Replacement Reserve	2 261 681	2 258 915

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

21. Housing development fund

Loans extinguished by Government on 1 April 1998	1 680 451	1 847 861

The housing development fund is represented by the following assets and liabilities

Revaluation of assets	1 680 451	1 847 861

The Housing Development Fund has its origin from loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate unappropriated surplus account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the housing development fund are used only for the funding of housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

22. Financial instruments

Categories of financial instruments

2014

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 362 705	1 362 705
Receivables from non-exchange transactions	3 025 043	3 025 043
Cash and cash equivalents	8 317 171	8 317 171
Long-term receivables from exchange transactions	4 220	4 220
	12 709 139	**12 709 139**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	3 282 014	3 282 014
Consumer deposits	395 505	395 505
	3 677 519	**3 677 519**

2013

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 329 045	1 329 045
Receivables from non-exchange transactions	1 364 415	1 364 415
Cash and cash equivalents	7 959 558	7 959 558
Long-term receivables from exchange transactions	4 266	4 266
	10 657 284	**10 657 284**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

. **Financial instruments (continued)**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	3 771 589	3 771 589
Consumer deposits	350 868	350 868
	4 122 457	**4 122 457**

Financial instruments in the statement of financial performance

2014

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	965 764	965 764
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(12 950)	(12 950)
Impairment loss	(13 041 454)	(13 041 454)
	(12 088 640)	**(12 088 640)**

2013

	At amortised cost	Total
Interest received (calculated using effective interest method) for financial instruments at amortised cost	1 045 049	1 045 049
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(10 745)	(10 745)
Impairment loss	(217 502)	(217 502)
	816 802	**816 802**

23. Revenue

	2014	2013
Property rates	2 614 590	2 105 923
Service charges	13 109 628	11 768 089
Government grants & subsidies	29 259 698	24 599 043
Rental of facilities and equipment	1 120 533	911 388
Income from agency services	120 092	101 938
Fines	17 121 289	2 324 692
Licences and permits	209 385	233 766
Other income	249 381	792 445
Interest received	965 764	1 045 049
	64 770 360	**43 882 333**

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

	2014	2013
Service charges	13 109 628	11 768 089
Rental of facilities and equipment	1 120 533	911 388
Income from agency services	120 092	101 938
Licences and permits	209 385	233 766
Other income	124 700	122 979
Interest received	793 020	851 155
	15 477 358	**13 989 315**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	2 614 590	2 105 923
Property rates - interest on arrear rates	172 744	193 894
Transfer revenue		
Government grants & subsidies	29 259 698	24 599 043
Fines	17 121 289	2 324 692
Other income	115 282	669 466
	49 283 603	**29 893 018**

24. Property rates

Rates revenue

Laingsburg	2 117 817	1 975 551
Agriculture	4 458 465	3 622 063
Less: Revenue forgone	(3 961 692)	(3 491 691)
	2 614 590	**2 105 923**

Valuations

Laingsburg	264 392 700	185 132 622
Agriculture	612 769 600	522 647 274
	877 162 300	**707 779 896**

Matjiesfontein area was not included separately in the latest valuation roll due to it's insignificance.

Assessment rates are levied on the value of land and improvements, for which a valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. An interim valuation has been performed during the financial year and was applied with effect from 1 July 2014.

A uniform rate of 7.26c/R (2013: 7.81c/R) is applied on property valuations in terms of the Property Rates Act to determine assessment rates charged to property owners.

A rebates of 90% (2013: 92.5%) is granted to agricultural property owners.

Rates are levied monthly on property and are payable by the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest on outstanding amounts is levied at a rate determined by Council.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

25. Service charges

Sale of electricity	9 019 628	7 787 132
Sale of water	1 934 029	1 727 601
Sewerage and sanitation charges	1 744 725	1 614 180
Refuse removal	1 643 170	1 495 819
Cemetery and encroachment fees	44 170	39 332
Revenue foregone	(1 276 094)	(895 975)
	13 109 628	**11 768 089**

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Water losses

Laingsburg Municipality experiences major problems with water losses which originated from the floods in 1981. Laingsburg experienced an average water loss of R992 521 (52.78%) for the 2013/2014 financial period (2013: R641 582 (29.84%)). An investigation was done to try to find the cause of these water losses. The investigation could not identify the cause of the losses. Due to these findings the Department of Water Affairs allocated funds to Laingsburg Municipality to do a water leakage detection investigation during the 2009/2010 financial year and more funds were allocated for further studies in the 2010/2011 financial year as well as the 2011/2012 financial year. The municipality is in the process of installing water meters to accurately calculate water losses. Potential losses could not be calculated.

During the 2012/2013 financial year there were two instances of burst main water pipes, contributing to the water losses for that year.

During the 2013/2014 financial year a main water supply pipe was damaged in the flooding of the Buffels-, Wilgerhout- and Baviaans Rivers on 8 January 2014, contributing to the water losses for the year.

Electricity losses

Laingsburg experienced an average electricity loss of R648 189 (9.75%) for the 2013/2014 financial period (2013: R692 757 (9.1%)). The loss can be ascribed to the fact that streets lights, municipal offices and some outer municipal electricity users are not metered. This will be investigated and corrected as soon as possible.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

26. Government grants and subsidies

Operating grants		
Equitable share	10 224 000	9 536 000
Municipal Infrastructure Grant (MIG)	9 152 000	8 194 000
Financial Management Grant (FMG)	1 500 000	1 500 000
Municipal Systems Improvement Grant (MSIG)	890 000	800 000
Expanded Public Works Program	1 000 000	1 000 000
Department of Sport & Recreation ("Kick-abouts")	1 022 877	-
Community Workers Development	77 706	202 572
Provincial Library Services	763 000	587 000
Provincial: Financial Management Support Grant	192 464	-
Provincial: Municipal Finance Improvement Program	62 811	-
Maintenance of Proclaimed Roads	17 280	32 967
Matjiesfontein UISP	3 010 831	1 509 538
Shared services: Legal services	250 000	-
Shared services: Internal audit	150 000	-
Organisational Development Grant	500 000	-
Provincial: Sub-Seta	24 606	22 867
Water	-	240 185
Nelson Mandela Memorial Service	100 000	-
Dept Environmental Affairs and Tourism	24 561	98 246
Provincial: Department of Transport	79 562	332 161
Local Government: Mou & Business Plan	-	325 507
Thusong submission	218 000	218 000

National Grants

Equitable Share

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

All registered indigents receive a monthly subsidy equal to the basic monthly charges for water supply, refuse removal and sanitation based on the monthly billing, towards the consumer account. The subsidy is determined annually by Council. All consumers also receive 6 kl water and the indigent households receive 50 kWh electricity free every month.

Municipal Infrastructure Grant (MIG)

Current-year receipts	9 152 000	8 194 000
Conditions met - transferred to revenue: capital expenditure	(9 152 000)	(8 194 000)
	-	-

The Municipal Infrastructure Grant (MIG) is allocated to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Financial Management Grant (FMG)

Current-year receipts	1 500 000	1 500 000
Conditions met - transferred to revenue: operating expenditure	(1 500 000)	(1 490 140)
Conditions met - transferred to revenue: capital expenditure	-	(9 860)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Program (e.g. salary costs of the Financial Management Interns).

26. Government grants and subsidies (continued)

Municipal Systems Improvement Grant

Current-year receipts	890 000	800 000
Conditions met - transferred to revenue: operating expenditure	(839 228)	(781 794)
Conditions met - transferred to revenue: capital expenditure	(50 772)	(18 206)
	-	**-**

The Municipal Systems Improvement Grant (MSIG) is allocated to assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and the local government turnaround strategy.

Expanded Public Works Program

Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue: operating expenditure	(1 000 000)	(944 110)
Conditions met - transferred to revenue: capital expenditure	-	(55 890)
	-	**-**

The Expanded Public Woorks Program (EPWP) grant is received to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP Guidelines:
- road maintenance and the maintenance of buildings
- low traffic volume roads and rural roads
- basic services infrastructure, including water and sewer reticulation, sanitation, pipelines and dams (excluding bulk infrastructure)
- other economic and social infrastructure.

Department of Sport & Recreation ("Kick-abouts")

Current-year receipts	888 800	-
Conditions met - transferred to revenue: capital expenses	(1 022 877)	-
Expenditure transferred to Receivables from non-exchange transactions	134 077	-
	-	**-**

Conditions met for an amount exceeding the amounts received during the financial year. The amounts spent in excess of amounts received will be received in the 2014/2015 financial year (see note 10).

The "kick-about" is part of the youth development against violence through sport programme with the purpose of using sport, specifically football, as a catalyst for transmitting life skills to children and youth in order to reduce violence and social ills.

The project is for the construction of a kick-about facility as well as to provide basic football equipment to children in poor rural areas.

Provincial Grants

Community Workers Development

Balance unspent at beginning of year	1 106	68 678
Current-year receipts	76 600	135 000
Conditions met - transferred to revenue: operating expenditure	(77 706)	(202 572)
	-	**1 106**

Conditions still to be met - remain liabilities (see note 15).

The grant is received to provide financial assistance to municipalities to cover the operational costs pertaining to the line functions of the community development workers including regional coordinators.

Figures in Rand	2014	2013

26. Government grants and subsidies (continued)

Provincial Library Services

Current-year receipts	763 000	587 000
Conditions met - transferred to revenue: operating expenditure	(662 620)	(559 818)
Conditions met - transferred to revenue: capital expenditure	(100 380)	(27 182)
	-	-

This grant was allocated to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised program at provincial level in support of local government and national initiatives.

Management Support Grant

Current-year receipts	500 000	-

Conditions still to be met - remain liabilities (see note 15).

The grant is received to provide financial assistance to Municipalities to improve overall governance systems and structures.

Financial Management Support Grant

Current-year receipts	400 000	-
Conditions met - transferred to revenue: Operating expenses	(192 464)	-
	207 536	**-**

Conditions still to be met - remain liabilities (see note 15).

The grant is received to provide financial assistance to Municipalities to improve overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

Municipal Finance Improvement Program

Current-year receipts	859 248	-
Conditions met - transferred to revenue: operating expenditure	(62 811)	-
	796 437	**-**

Conditions still to be met - remain liabilities (see note 15).

This grant is for implementation of Financial Management systems that can assist in producing legislated reports, multi-year budgets, in-year reports, SDBIP, annual reports and automation of financial management practices.

Maintenance of proclaimed roads

Current-year receipts	17 280	32 967
Conditions met - transferred to revenue: operating expenditure	(17 280)	(32 967)
	-	-

This grant was received for maintenance of Provincial roads.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

26. Government grants and subsidies (continued)

Matjiesfontein UISP

Balance unspent at beginning of year	1 262 137	363 513
Current-year receipts	2 323 542	2 408 162
Conditions met - transferred to revenue: capital expenditure	(3 010 831)	(1 509 538)
	574 848	**1 262 137**

Conditions still to be met - remain liabilities (see note 15).

This grant was received for development of houses as set out in terms of the Turnkey Contracting Strategy as set out in the National Housing Code, within the boundaries of the municipality.

Shared services: Legal services

Balance unspent at beginning of year	250 000	-
Current-year receipts	-	250 000
Conditions met - transferred to revenue: operating expenditure	(250 000)	-
	-	**250 000**

Conditions still to be met - remain liabilities (see note 15).

The grant is received to establish a cooperative partnership between the Central Karoo Legal Shared Service Centre and its customers. The Legal Shared Service Centre will provide a shared business environment for legal services to the municipalities within the Central Karoo District.

Shared services: Internal audit

Balance unspent at beginning of year	150 000	-
Current-year receipts	-	150 000
Conditions met - transferred to revenue: operating expenditure	(150 000)	-
	-	**150 000**

Conditions still to be met - remain liabilities (see note 15).

Funds received to establish a cooperative partnership between the Central Karoo Internal Audit and Risk Management Shared Service Centre and its customers. The Legal Shared Service Centre will provide a shared business environment for internal audit, risk management and compliance monitoring to the municipalities within the Central Karoo District.

Organisational Development Grant

Balance unspent at beginning of year	500 000	-
Current-year receipts	-	500 000
Conditions met - transferred to revenue: operating expenditure	(500 000)	-
	-	**500 000**

Conditions still to be met - remain liabilities (see note 15).

The grant is received to identify the organisational needs of the municipality and to improve the organisational structure of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

26. Government grants and subsidies (continued)

Provincial: Sub-Seta

Current-year receipts	24 606	22 867
Conditions met - transferred to revenue: operating expenditure	(24 606)	(22 867)
	-	-

This grant was received for general training at the municipality.

Water

Balance unspent at beginning of year	-	240 184
Conditions met - transferred to revenue: capital expenditure	-	(240 184)
	-	-

This grant was received for long term monitoring and construction of water infrastructure.

Department Water Affairs (DWA)

Balance unspent at beginning of year	575 883	575 883

Conditions still to be met - remain liabilities (see note 15).

This grant is used for water supply at Matjiesfontein, ground water investigation and the draw up of a water master plan. The water master plan needs to be drafted and submitted and the water meters need to be installed.

Nelson Mandela Memorial Service Grant

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

Expenditure related to funeral related activities in respect of the memorial service in honour of former President Nelson Mandela, excluding commemorative advertising and clothing.

Department Environmental Affairs & Tourism

Balance unspent at beginning of year	106 667	204 913
Conditions met - transferred to revenue: operating expenditure	(24 561)	(98 246)
	82 106	**106 667**

Conditions still to be met - remain liabilities (see note 15).

This grant was received to develop a spatial development plan.

Provincial: Department of Transport

Balance unspent at beginning of year	270 150	602 311
Conditions met - transferred to revenue: capital expenditure	(79 562)	(332 161)
	190 588	**270 150**

Conditions still to be met - remain liabilities (see note 15).

The grant was received for construction of a long distance taxi zone area.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

26. Government grants and subsidies (continued)

Local Government: Local Municipalities

Balance unspent at beginning of year	112 140	112 140

Conditions still to be met - remain liabilities (see note 15).

This grant is used for the compiling of a sewerage master plan and investigation of electricity tariffs.

Local Government: Mou & Business Plan

Balance unspent at beginning of year	-	325 507
Conditions met - transferred to revenue: operating expenditure	-	(325 507)
	-	**-**

Funds received for the installation of a new financial system.

Thusong submission

Current-year receipts	218 000	218 000
Conditions met - transferred to revenue: operating expenditure	(218 000)	(218 000)
	-	**-**

Allocation received from the Western Cape Government for operating expenditure related to the Thusong Centre.

Analysis of operating expenditure amounts transferred to revenue

Included in general expenses as grant expenditure	2 392 650	2 272 293
Included in cleaning expenses	1 000 000	944 110
Included in community development and training	77 706	202 572
Included in computer expenses	-	325 507
Included in spatial planning	24 561	98 246
Included in other general expenses	579 945	453 162
Included in employeee related costs	416 125	356 367
Included in contracted services	62 811	-
Included in general expenses as Nelson Mandela Memorial Service expenses	100 000	-
Included in general expenses as consulting and proffessional fees	900 000	-
Included in general expenses as training expenses	24 606	-
Included in repairs and maintenance	40 873	23 764
Total transferred to revenue: operating expenses	**5 619 277**	**4 676 021**

27. Rental of facilities and equipment

Premises		
Operating lease rental revenue Soutkloof	81 005	81 005
Rental revenue from buildings	949 335	746 223
Rental revenue from land	2 600	3 678
	1 032 940	**830 906**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

27. Rental of facilities and equipment (continued)

Facilities and equipment		
Rental revenue from cutlery	2 245	980
Rental revenue from machinery and equipment	-	604
Rental revenue from houses	28 430	29 082
Rental revenue from hawkers	16 981	16 397
Rental revenue sundry	39 937	33 419
	87 593	**80 482**
	1 120 533	**911 388**

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

Sundry rental revenue consists of the following:
- Rental received from the IEC for the rental of the voting offices;
- Rental received from Allpay for the rental of the Matjiesfontein hall for the purposes of paying out social pension;
- Rental received from Provincial Western Cape for the rental of the Thusong Centre.

The operating lease of the Soutkloof farm is between the municipality and the Van Der Vyver Trust. The lease agreement is for the period from 1 November 2011 to 31 October 2016. The operating lease rental revenue on the Soutkloof farm is straightlined over the period of the lease. For lease commitments disclosure refer to note 41.

28. Other income

Building plan and rezoning application fees	30 807	26 100
Donations	126 017	669 466
Fire brigade availability	30 732	26 776
Pest control	708	607
Sales - Sand and stone	17 693	15 108
Sundry income	35 668	45 454
Valuation certificates	4 832	5 830
Other sales	2 924	3 104
	249 381	**792 445**

The amounts disclosed above for other income are in respect of services, other than described in notes 24 to 27, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

Sales - Sand and stone: The sale of sand and stone mostly relates to the supply of sand and stone to the projects under the current financial period, namely Goldnerville Cul-de-Sac; Matjies new sanitation, Gabions 9de & 10de Laan, New roads & stormwater and Nuwe busroete Matjiesfontein: Fase 2. Sales are made at approved tariffs. Sand is obtained from the riverbed as needed, and is therefore not recognised as inventory.

Donations includes an assets donated to the municipality to the amount of R14 700 (2013: R 580 636).

29. Interest received

Interest revenue		
Current account	222 042	266 170
Current investment deposits	334 847	392 770
Interest charged on receivables from exchange transactions	236 131	192 215
Interest charged on receivables from non-exchange transactions	172 744	193 894
	965 764	**1 045 049**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

30. Employee related costs

Employee related costs - salaries and wages	8 265 941	6 603 463
Defined benefit plan expense - current service cost	(1 311 000)	810 000
Performance bonuses	30 382	-
Employee related costs - contributions	1 356 144	1 151 101
Housing benefits and allowances	21 309	24 717
Leave pay	111 977	116 720
Long-service awards	77 266	76 950
Overtime payments	226 951	163 569
Skills Development Levy (SDL)	96 548	78 161
Thirteenth cheque	542 760	427 724
Travel, motor car, accommodation, subsistence and other allowances	583 425	403 960
Unemployment Insurance Fund (UIF)	73 766	64 313
Workmans Compensation Act (WCA)	73 451	64 536
	10 148 920	**9 985 214**

Remuneration of Williams PA - Municipal Manager

Annual Remuneration	1 121 895	895 225
Performance Bonuses	146 725	-
Contributions to UIF, Medical and Pension Funds	1 784	1 713
Backpay of salary	-	91 273
	1 270 404	**988 211**

The Municipal Manager was in office for the entire financial year.

Remuneration of Groenewald A - Chief Finance Officer

Annual Remuneration	416 862	380 084
Acting Allowance	129 635	55 993
Contributions to UIF, Medical and Pension Funds	91 856	83 844
Travel, motor car, accommodation, subsistence and other allowances	139 128	144 728
Leave encashed	-	83 118
	777 481	**747 767**

The CFO was in office for the entire financial year.

Remuneration of staff

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

31. Remuneration of councillors

Remuneration	2 201 421	2 079 342
Allowances	91 656	64 925
	2 293 077	**2 144 267**

Theron W du P - Executive Mayor		
Remuneration	559 306	604 460
Travel allowance	78 849	-
Other allowances	24 608	19 972
Back pay	23 621	-
	686 384	**624 432**

Figures in Rand	2014	2013

31. Remuneration of councillors (continued)

Van As BJ - Deputy Executive Mayor		
Remuneration	250 998	265 962
Travel allowance	33 910	-
Other allowances	15 220	12 496
Back pay	14 513	-
	314 641	**278 458**

Horn H - Speaker		
Remuneration	449 563	483 568
Travel allowance	61 655	-
Other allowances	24 608	19 972
Back pay	19 591	-
	555 417	**503 540**

Bobbejee M - Councillor		
Remuneration	167 252	181 338
Travel allowance	23 121	-
Other allowances	3 000	-
Back pay	6 012	-
	199 385	**181 338**

Botes PJ - Councillor		
Remuneration	172 900	181 338
Travel allowance	23 121	-
Other allowances	18 220	12 485
Back pay	11 661	-
	225 902	**193 823**

Botha J - Councillor		
Remuneration	167 252	181 338
Travel allowance	23 121	-
Allowances	3 000	-
Back pay	6 012	-
	199 385	**181 338**

Gouws M - Councillor		
Remuneration	167 252	181 338
Travel allowance	23 121	-
Other allowances	3 000	-
Back pay	6 012	-
	199 385	**181 338**

In-kind benefits

The Mayor may utilise official Council transportation when engaged in official duties.

Remuneration of political office-bearers and councillors

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

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

32. Depreciation and amortisation

Property, plant and equipment	7 484 838	7 346 739
Investment property	123 467	370 400
Intangible assets	190 939	221 782
	7 799 244	**7 938 921**

33. Impairment of assets

Impairments

Property, plant and equipment On Wednesday 8 January the Buffels, Wilgerhout and Baviaans Rivers in the Laingsburg area flooded. The flooding resulted in damage to some of the municipality's infrastructure assets (boreholes, stormwater pipes and water supply pipes). Most of the damaged assets were repaired and are consequently not impaired. All assets not repaired were impaired at 30 June 2014. The recoverable amount of these assets were based on its fair value less cost to sell.	145 707	-

34. Finance costs

Payables from exchange transactions	12 950	10 745
SARS: interest on late payment of VAT	-	114 129
Finance costs - landfill site rehabilitation provision	193 389	181 833
	206 339	**306 707**

35. Debt impairment

Bad debts written off	13 905	-
Sundry receivables impaired	14 048	-
Contributions to allowance for debt impairment	12 296 634	217 502
	12 324 587	**217 502**

36. Bulk purchases

Electricity	6 648 043	5 676 814

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

There was no bulk purchases for water during the year. This is as a result of the municipality being supplied with water from the river as well as from a municipal farm with a natural water resource.

37. Contracted services

Municipal Finance Improvement Program expense	65 361	-
Town planning	32 483	35 124
	97 844	**35 124**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

38. Grants and subsidies paid

AIDS program and Cancer awareness	2 493	9 311
Acacia Primary School	3 000	200
Area committee	1 500	-
Area committee	11 815	24 367
Christmas for children	1 235	11 299
Donald Duck Pre-Primary	16 131	16 083
Equitable share households	771 499	877 805
Gardening	5 600	600
LaDaag	5 116	9 918
Laingsburg High School	500	3 900
Municipal sport	18 811	12 315
SMME development	-	30 735
Tourism grant	242 191	226 752
Youth Week	12 060	7 981
Other grants and subsidies paid	6 868	5 500
	1 098 819	**1 236 766**

Figures in Rand	2014	2013

39. General expenses

Administration costs	4 780	89 000
Advertising	4 783	13 356
Auditors remuneration	1 701 526	1 580 265
Bank charges	191 740	155 931
Bargaining council	3 569	3 201
Chemicals	887	1 314
Cleaning	1 141 840	945 295
Commission for collection of traffic fines	2 301 847	1 667 224
Commission paid	114 287	102 039
Community development and training	80 861	203 620
Computer expenses	258 217	396 618
Consumables	319 633	446 769
Consulting and professional fees	1 960 255	3 991 504
Delegation costs	8 015	-
Electricity	298 357	223 787
Entertainment	96 508	83 874
Flood damage	449 606	-
Fuel and oil	617 223	503 958
Insurance	134 235	171 812
Inventory losses	13 332	-
Lease rentals on operating lease	12 900	13 300
Levy: District Municipality (Health Services)	13 186	29 923
Marketing	291 360	265 260
Management fees - Water catchment area	34 076	179 013
Magazines, books and periodicals	1 267	-
Nelson Mandela Memorial Service expenses	100 339	-
Pauper burials	3 215	4 320
Penalties: SARS (VAT)	-	485 550
Pest control	4 033	-
Postage and courier	41 427	1 536
Printing and stationery	210 926	259 823
Quality control	122 757	160 360
Rental: other	1 285	1 770
Security (Guarding of municipal property)	637 318	514 595
Shrubs, plants and trees	-	4 750
Software expenses	457 228	118 103
Spatial planning	24 561	98 246
Subscriptions and membership fees	490 372	465 367
Telephone and fax	469 528	271 088
Tools and equipment	72 640	135 569
Training	469 527	859 616
Travel - local	815 592	859 113
Uniforms and protective clothing	78 565	34 288
Valuation costs	274 726	104 062
Vehicle licences	41 977	30 446
Water - Municipal services	-	2 447
	14 370 306	**15 478 112**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

40. Cash generated from operations

Surplus (deficit)	8 068 029	(979 274)
Adjustments for:		
Depreciation and amortisation	7 799 244	7 938 921
Loss on sale of assets and liabilities	60 461	110 765
Impairment deficit	145 707	-
Debt impairment	12 324 587	217 502
Movements in operating lease asset and accruals	(1 475)	(5 262)
Movements in retirement benefit assets and liabilities	(1 311 000)	810 000
Movements in provisions	(254 362)	351 375
Change in rehabilitation asset	452 465	(42 435)
Assets received as donations	(14 700)	(580 636)
Changes in working capital:		
Inventories	(3 120 834)	(744 807)
Trade receivables from exchange transactions	(443 474)	(454 856)
Receivables from non-exchange transactions	(13 523 867)	1 564 097
Payables from exchange transactions	(489 571)	404 913
VAT	1 033 584	(1 051 291)
Unspent conditional grants and receipts	(188 545)	734 954
Consumer deposits	44 637	32 095
	10 580 886	**8 306 061**

41. Commitments

Capital commitments

Already contracted for but not provided for		
• Property, plant and equipment	15 005 455	10 455 423

Open purchase orders

Items ordered before year-end, but delivered after year-end	7 298	17 388

Operating leases - as lessor (income)

Minimum lease payments receivable		
- within one year	83 506	79 529
- in second to fifth year inclusive	117 379	200 885
	200 885	**280 414**

The operating lease on the Soutfkloof farm was extended on 1 November 2011 for an additional 5 years. No restrictions have been imposed by the municipality in terms of the operating lease agreement.

The rent escalates with 5% per annum on 1 November.

The yearly rent is receivable in advance each year on 1 November.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

42. Related parties

For names of Councillors as well as disclosures of remuneration to Councillors:	Refer to note 31
For disclosures of remuneration to management:	Refer to note 30

Related party transactions

The municipality provides municipal services to all councillors, management and their family members residing within the municipal area. The municipality also charges property rates to all councillors, management and their family members who are property owners within the municipal area. These transactions were concluded on normal operating terms and are included in the "service charges" and "property rates" on the statement of financial performance. Any balances due to the municipality on the reporting date are included in receivables from exchange transactions (relating to service charges) and receivables from non-exchange transactions (relating to property rates) on the statement of financial position.

43. Risk management

Financial risk management

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

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.

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

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	3 282 014	-	-	-
Consumer deposits	395 505	-	-	-

At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	3 771 589	-	-	-
Consumer deposits	350 868	-	-	-

Credit risk

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

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

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

Financial instrument	2014	2013
Receivables from non-exchange transactions	2 973 506	1 364 415
Receivables from exchange transactions	1 362 705	1 329 045
Long-term receivables from exchange transactions	4 220	4 266
Cash and cash equivalents	8 317 171	7 959 558

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

43. Risk management (continued)

Market risk

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.

44. Going concern

The audited 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. Events after the reporting date

The accounting officer is not aware of any matters or events arising between the end of the reporting period and the date of these financial statements, which will significantly affect the financial position and results of the municipality's operations.

46. Unauthorised expenditure

Unauthorised expenditure	22 476 171	12 227 681

No disciplinary steps have been followed to date as the Municipality was of the opinion that the unauthorised expenditure was incurred due to overspending of votes or main divisions within votes.

All unauthorised expenditure was written-off by Council.

47. Fruitless and wasteful expenditure

Interest on late payment of suppliers	12 928	10 745
Penalties paid to SARS (VAT)	-	485 550
Interest paid to SARS (late payment of VAT)	-	114 129
	12 928	**610 424**

Interest on late payments of suppliers was written-off by Council.

Penalties and interest paid to SARS relates to the VAT review performed by SARS during the 2012/2013 financial year. The municipality has lodged an appeal with SARS regarding the penalties and interest and SARS has indicated that the penalties and interest may be refunded. The final outcome of this appeal have not been received.

48. Irregular expenditure

Opening balance	510 277	3 585 707
Add: Irregular Expenditure - current year	20 558 155	7 709 381
Less: Amounts written off	(3 396 769)	(10 784 811)
	17 671 663	**510 277**

Analysis of expenditure awaiting write-off per age classification

Current year	17 161 386	119 687
Prior years	390 590	390 590
	17 551 976	**510 277**

Notes to the Annual Financial Statements

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48. Irregular expenditure (continued)

Details of irregular expenditure – current year

R0 - R2 000	333 732
R2 001 - R10 000	1 199 632
R10 001 - R 30 000	2 194 449
R30 001 - R200 000	4 521 225
> R200 000	12 309 117
	20 558 155

Details of irregular expenditure written-off - current year

Deviations from Regulation 12 and Supply Chain Policies	20 558 155

The irregular expenditure relates to deviations from Regulation 12 and the supply chain management policies.

No disciplinary steps have been followed to date as the Municipality was of the opinion that irregular expenditure was incurred due to unforseen circumstances.

Deviation on procurement of goods and services during the financial year amounted to R20 558 155 (2013: R7 709 381). This amount includes purchases from suppliers with directors/owners in the service of the state to the amount of R62 755.

All irregular expenditure of the previous year and the current year will be reviewed by Council at the next council meeting.

49. Auditors' remuneration

	2014	2013
Audit fees	1 701 526	1 580 265

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

	2014	2013
Opening balance	362 500	150 000
Current year subscription / fee	462 500	412 500
Amount paid - current year	(200 000)	(200 000)
	625 000	**362 500**

Material losses through criminal conduct

Management is not aware of any material losses through criminal conduct.

Audit fees

	2014	2013
Opening balance	-	291 199
Current year audit fees	1 632 681	1 580 265
Amount paid - current year	(1 632 681)	(1 580 265)
Amount paid - previous years	-	(291 199)
	-	**-**

PAYE and UIF

	2014	2013
Opening balance	178 526	55 150
Current year subscription / fee	2 194 840	1 499 163
Amount paid - current year	(2 318 215)	(1 375 787)
	55 151	**178 526**

Figures in Rand	2014	2013

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

Pension and medical aid deductions

Opening balance	115 304	45 094
Current year subscription / fee	2 237 626	1 598 584
Amount paid - current year	(2 237 626)	(1 528 374)
	115 304	**115 304**

VAT

VAT receivable	353 420	1 387 004

VAT output payables and VAT input receivables are shown in note 13.

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

Councillors' arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

During the year no Councillors' had arrear accounts outstanding for more than 90 days.

51. Comparative amounts

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of Financial Performance		
Other income	-	(9 480)
Repairs and maintenance	-	9 480
Employee Related Cost	-	392 650
General Expenditure	-	(392 650)

52. Change in estimate

Property, plant and equipment

The remaining useful life of certain items of property, plant and equipment were changed due to a change in management's estimate of the remaining useful life during the 2013/2014 financial year.
The effect of this revision has decreased/(increased) the depreciation charges for the current and future periods as follows:

- Infrastructure assets: R270 379;
- Community assets: R6 301;
- Motor vehicles: R12 392
- Refuse site (Landfill site rehabilitation asset): R(55 486).

Investment property

The remaining useful life of certain investment property buildings were estimated in 2012/2013 to be 2 years. In the current period management have revised their estimate to 6 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 246 933.

The change in estimate does not have an impact on the cash flow statement as depreciation is a non-cash item.

53. Prior period errors

The prior year amounts have been amended to account for prior period errors.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

53. Prior period errors (continued)

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

53.1 SALGA membership fees

	-	-
The SALGA membership fees have not been correctly accrued in prior years. The amounts previously disclosed have been restated to account for this error.		
Adjustments against opening accumulated surplus 1 July 2012	-	150 000
	-	**150 000**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

53. Prior period errors (continued)

	2014	2013
Adjustments affecting the statement of financial position		
Increase in payables from exchange transactions	-	(362 500)
Decrease in receivables from non-exchange transactions	-	(24 561)
	-	**(387 061)**

	2014	2013
Adjustments affecting the statement of financial performance		
Increase in general expenses	-	237 061

53.2 Expenditure not accrued in prior year

	2014	2013
Some expenditure were not accrued in the 2012/2013 year. The amounts previously disclosed have been restated to account for this error.	-	-

	2014	2013
Adjustments affecting the statement of financial position		
Increase in property, plant and equipment	-	4 612
Increase in receivables from non-exchange transactions	-	18 562
Increase in payables from exchange transactions	-	(152 168)
	-	**(128 994)**

	2014	2013
Adjustments affecting the statement of financial performance		
Increase in general expenses	-	111 841
Increase in repairs and maintenance	-	17 153
	-	**128 994**

53.3 Revenue incorrectly accounted in prior year

	2014	2013
Some service charges, rental revenue and property rates were incorrectly billed in the 2012/2013 year. The amounts previously disclosed have been restated to account for this error.	-	-

	2014	2013
Adjustments affecting the statement of financial position		
Decrease in receivables from non-exchange transactions	-	(5 237)
Decrease in receivables from exchange transactions	-	(63 259)
	-	**(68 496)**

	2014	2013
Adjustments affecting the statement of financial performance		
Decrease in Property rates	-	11 713
Decrease in Service charges	-	47 790
Increase in rental of facilities and equipment	-	(1 500)
Decrease in other income	-	22
Decrease in interest received	-	10 471
	-	**68 496**

53.4 Pre-paid electricity meters not yet installed incorrectly accounted

	2014	2013
Prepaid electricity meters, not yet installed, were incorrectly accounted as assets under construction where it should have been included in inventory. In additions to this, meters installed during the 2011/2012 and 2012/2013 financial years were not removed from this balance and expensed under consumer connections. These have been corrected and the 2012/2013 amounts restated accordingly.	-	-

Figures in Rand	2014	2013
53. Prior period errors (continued)		
Adjustments against opening accumulated surplus 1 July 2012	-	5 623
	-	**5 623**
Adjustments affecting the statement of financial position		
Decrease in property, plant and equipment	-	(85 680)
Increase in Inventories	-	74 167
	-	**(11 513)**
Adjustments affecting the statement of financial performance		
Increase in repairs and maintenance	-	5 890

53.5 Pre-paid electricity meters: opening balance

	2014	2013
	-	-
The opening balance of inventory (pre-paid electricity meters) were incorrectly accounted under operating expenditure in the 2011/2012 financial year. The amounts previously disclosed have been restated to account for this error.		
Adjustments against opening accumulated surplus 1 July 2012	-	(6 158)
	-	**(6 158)**
Adjustments affecting the statement of financial position		
Increase in inventory	-	6 158

53.6 RDP houses incorrectly classified

	2014	2013
	-	-
RDP houses were incorrectly classified as PPE and not as inventory. The amounts previously disclosed have been restated to account for this error.		
Adjustments affecting the statement of financial position		
Decrease in property, plant and equipment	-	(908 875)
Increase in Inventories	-	908 875
	-	**-**

Notes to the Annual Financial Statements

53. Prior period errors (continued)

Statement of financial position	Balance as previously reported	Prior period error	Reclassified (note 51)	Restated balance
Assets				
Current assets				
Cash and cash equivalents	7 959 558	-	-	7 959 558
Receivables from exchange transactions	1 392 303	(63 259)	-	1 329 044
Receivables from non-exchange transactions	1 375 653	(11 237)	-	1 364 416
Inventories	1 203 239	989 200	-	2 192 439
Long-term receivables from exchange transactions	4 266	-	-	4 266
VAT receivable	1 387 004	-	-	1 387 004
	13 322 023	**914 704**	**-**	**14 236 727**
Non-current assets				
Operating lease asset	10 399	-	-	10 399
Heritage assets	43 354	-	-	43 354
Investment property	4 563 880	-	-	4 563 880
Property, plant and equipment	146 856 138	(989 942)	-	145 866 196
Intangible assets	534 296	-	-	534 296
	152 008 067	**(989 942)**	**-**	**151 018 125**
Liabilities				
Current liabilities				
Payables from exchange transactions	(3 256 918)	(514 669)	-	(3 771 587)
Unspent conditional grants and receipts	(3 228 083)	-	-	(3 228 083)
Provisions	(249 314)	-	-	(249 314)
Consumer deposits	(350 868)	-	-	(350 868)
Retirement benefit obligation	(123 000)	-	-	(123 000)
	(7 208 183)	**(514 669)**	**-**	**(7 722 852)**
Non-current liabilities				
Provisions	(3 261 710)	-	-	(3 261 710)
Retirement benefit obligation	(5 089 000)	-	-	(5 089 000)
	(8 350 710)	**-**	**-**	**(8 350 710)**
Net assets				
Accumulated surplus - opening balance	(150 310 026)	149 465	-	(150 160 561)
Deficit	538 829	440 443	-	979 272
	(149 771 197)	**589 908**	**-**	**(149 181 289)**

53. Prior period errors (continued)

Statement of financial performance Revenue	Balance as previously reported	Prior period error	Reclassified (note 51)	Restated balance
Property rates	2 117 636	(11 713)	-	2 105 923
Service charges	11 815 881	(47 791)	-	11 768 090
Rental of facilities and equipment	909 888	1 500	-	911 388
Income from agency services	101 938	-	-	101 938
Fines	2 324 691	-	-	2 324 691
Licence and permits	233 766	-	-	233 766
Government grants and subsidies	24 599 043	-	-	24 599 043
Other income	782 987	(22)	9 480	792 445
Interest received	1 055 520	(10 471)	-	1 045 049
Total revenue	**43 941 350**	**(68 497)**	**9 480**	**43 882 333**
Expenditure				
Employee related costs	(9 592 564)	-	(392 650)	(9 985 214)
Remuneration of councillors	(2 144 267)	-	-	(2 144 267)
Depreciation and amortisation	(7 938 921)	-	-	(7 938 921)
Finance costs	(306 707)	-	-	(306 707)
Debt impairment	(217 502)	-	-	(217 502)
Collection costs	(6 244)	-	-	(6 244)
Repairs and maintenance	(1 692 648)	(23 043)	(9 480)	(1 725 171)
Bulk purchases	(5 676 814)	-	-	(5 676 814)
Contracted services	(35 124)	-	-	(35 124)
Grants and subsidies paid	(1 236 766)	-	-	(1 236 766)
General expenses	(15 521 857)	(348 903)	392 650	(15 478 110)
Total expenditure	**(44 369 414)**	**(371 946)**	**(9 480)**	**(44 750 840)**
Operating deficit	(428 064)	(440 443)	-	(868 507)
Loss on disposal of assets	(110 765)	-	-	(110 765)
Deficit for the year	**(538 829)**	**(440 443)**	**-**	**(979 272)**

54. Contingent assets

During the 2012/2013 financial year amounts were paid to SARS in relation to penalties (R485 550) and interest (R114 129). The penalties and interest were objected and SARS has indicated that there is a posibility that these amounts may be refunded to the municipality. The municipality is still awaiting a final decision from SARS.

55. Contingent liabilities

55.1 Pending litigation on wage curve agreement

On 21 April 2010 SALGA signed the “Categorisation and job evaluation wage curves collective agreement” (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees’ jobs per the TASK job evaluation system.

Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/payable prior to the outcome of the pending litigation.

56. Budget differences

Material differences between budget and actual amounts

56.1 Water revenue: Less water was sold to consumers. This can largely be attributed to the high rainfall experienced within the municipal area during the summer months.

56.2 Service charges - other: The amount charged for burial fees were less than budgeted and less encroachment revenue were charged than anticipated in the budget.

56.3 Rental of facilities and equipment: The difference is mainly attributable to the rental revenue from buildings exceeding the budgeted revenue.

56.4 Income from agency services: More motor vehicle licences were issued on behalf of the provincial traffic department, resulting in more than budgeted for commission received on issue of these items.

56.5 Licences and permits: Less than budgeted for licences and permits were issued during the financial year.

56.6 Other income: Less donations were received during the financial year than budgeted.

56.7 Interest received - external investments: Balances of the external investment deposit accounts were more than budgeted for througout the financial year. In addition to this, the interest rates was increased due to the increase of the repo rate by the South African Reserve Bank.

56.8 Interest received - outstanding debtors:The balance of outstanding debtors were more than budgeted for leading to interest charged in excess of the budgeted interest.

56.9 Property rates - penalties: No penalties, relating to property rates, were charged during the financial year.

56.10 Government grants and subsidies - capital: An additional Municipal Infrastructure Grant (MIG) allocation was received during the year. This was not included in the budget.

56.11 Fines: The new average speed enforcement camera between Laingsburg and Beaufort-West is in operation since December 2013. This resulted in an additional source of traffic fines being issued.
The municipality also applied IGRAP 1 on the recognition of revenue from 1 July 2013. This resulted in a material increase in revenue from fines.

56.12 Employee related costs: Included in Employee related cost is an actuarial gain which was not budgeted for. In addition to this the municipality budgeted for positions that have not been filled during the financial year.

56.13 Depreciation and asset impairment: Actual depreciation was below budgeted depreciation. During the year there was flood damage resulting from the flooding of the Buffels, Wilgerhout and Baviaans rivers which resulted in impairment of certain property, plant and equipment.

56.14 Finance cost: The municipality did not budget for any interest expense. Included in actual finance costs are the unwinding charge of the lanfill site rehabilitation provision as well as interest on late payment of suppliers.

56.15 Debt impairment: Balances receivable from consumers exceeded the budgeted amount. In addition to this the municipality applied IGRAP 1 on the recognition of revenue from 1 July 2013. This resulted in a material increase in receivables from fines and consequently an increase in the impairment of those receivables.

56.16 Contracted services: Actual expenditure on consulting and professional fees were below the budgeted amount. This was due to less hours billed by consultants than budgeted for.

56.17 Grants and subsidies paid: More temporary workers were appointed during the financial year. This resulted in less people qualifying for financial assistance than budgeted for.

56.18 Other expenses: Other expenses includes flood damage and expenses relating to the Nelson Mandela memorial serivce held in December 2013. These expenses were not budgeted for.

56.19 Loss on disposal of assets: More assets were written off than budgeted for. The loss relates mainly to a number of water meters that was replaced early in the financial year.

56. Budget differences (continued)

56.20 Inventories: Inventories includes RDP houses to be distributed to beneficiaries. This was not included in the budgeted inventories.

56.21 Intangible assets: Included in the budget is purchase pf additional modules of the ProMun accounting system. These were not acquired during the financial year. These modules will be purchased in the 2014/2015 financial year.

56.22 Operating lease asset: Straight-lining calculation was not performed for budgetary purposes.

56.23 Receivables from exchange, receivables from non-exchange and consumer deposits: These items exceed the budgeted amounts due to an increase in rates as well as an increase in the number of consumers.

56.24 Long-term receivables from exchange transactions: this item was included in "receivables from non-exchange" for budget purposes.

56.25 VAT receivable: This item was not budgeted for.

56.26 Payables from exchange transactions and Unspent conditional grants: These items were included in one line item in the budget amounts. In addition, more than budgeted capital expenditure resulted in a decrease in unspent conditional grants.

56.27 Provisions and Employee benefit obligation: these items were included as one item in the budget amounts. In addition to this the actual is less than budgeted for mainly due to the significant decrease in the employee benefit obligation (refer to note 18).

56.28 Reserves and Accumulated surplus: These items were more than budgeted for mainly due to the surplus for the year exceeding budget.

Changes from the approved budget to the final budget

Material changes in revenue items

Revenue from water sales were increased due to an anticipated increase in the amount of water sold in the munnicipal area as well as an increase in the rate for water sales.

Revenue from licences and permits were increased due to an anticipated increase in the number of licences and permits being issued as well as an increase in rates.

Other income was reduced due to the municipality expecting less donations in the financial year.

Revenue from property rates were increased due to the anticipated increase in the rates charged to property owners.

Material changes in expense items

Contracted expenses were increase due to the anticipated increase in professional and consulting fees regarding the change in organisational structure of the municipality.

Grants and subsidies paid was increased due to an increase in the number of indigent households as well as an increase in the subsidies given to indigent households during the financial year.

Loss on disposal of assets were increased due to an anticipated increase in the assets that will be written off during the financial year.