Sol Plaatje Local Municipality
Annual Financial Statements
for the year ended 30 June 2014

General Information

Executive Mayor	Honourable Cllr K.D. Molusi
Accounting Officer	Mr G Akharwaray B.Proc.LLB. Certificate in Management
Chief Finance Officer (CFO)	Mrs. Z.L. Mahloko B. Comm (Hons) B. Compt. Certificate in Municipal Finance Management
Registered office	Civic Centre Sol Plaatje Drive Kimberley 8301
Business address	Civic Centre Sol Plaatje Boulevard Kimberley 8301
Postal address	Private Bag X5030 Kimberley 8301
Bankers	Standard Bank Kimberley
Auditors	Office of the Auditor General Registered Auditors

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern Africa
GRAP	Generally Recognised Accounting Practice
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
FMG	Financial Management
NDPG	Neighbourhood Development Partnership Grant
MAYCO	Mayoral Committee

Municipal Manager's Responsibilities and Approval

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

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

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

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

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

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

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

Mr GH Akharwaray
Municipal Manager

Statement of Financial Position as at 30 June 2014

Financial Liabilities	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	4	23 407 105	19 280 649
Trade and other receivables from exchange transactions	5	260 972 410	209 465 132
Trade receivables from non-exchange transactions	6	302 495 919	213 244 069
Cash and cash equivalents	7	320 606 825	336 560 409
Operating lease asset	8	92 070	91 113
VAT receivable	9	12 830 004	11 888 975
Non Current Held for Sale	10	141 858	1 091 861
		920 546 191	**791 622 208**
Non-current Assets			
Investment Property	16	201 755 728	201 986 242
Property, plant and equipment	11	1 295 247 032	1 098 579 989
Intangible assets	14	1 098 304	2 606 911
Heritage assets	15	6 801 943	6 801 943
Trade receivables from exchange transactions	37	707 754	3 635 319
Trade and other receivables from non exchange transaction	37	128 470	484 012
		1 505 739 231	**1 314 094 416**
Non-Current Assets		1 505 739 231	1 314 094 416
Current Assets		920 546 191	791 622 208
Total Assets		**2 426 285 422**	**2 105 716 624**
Liabilities			
Current Liabilities			
Consumer deposits	25	16 684 134	15 317 566
Provisions	21	7 465 000	6 785 631
Payables from exchange transactions	23	170 412 088	145 713 072
Unspent conditional grants and receipts	20	2 593 813	35 105 851
Vat Payable from Exchange Transactions	22	20 909 631	16 530 047
Bank overdraft	7	15 407 715	12 595 368
Short-term portion of Long term liabilities	18	13 727 842	11 356 434
Finance lease obligation	19	8 644 116	8 898 313
		255 844 339	**252 302 282**
Non-Current Liabilities			
Long term liabilities	18	237 719 460	195 336 922
Retirement benefit obligation	13	196 874 000	186 016 318
Provisions	21	47 442 435	41 781 681
		482 035 895	**423 134 921**
Non-Current Liabilities		482 035 895	423 134 921
Current Liabilities		255 844 339	252 302 282
Liabilities of disposal groups		-	-
Total Liabilities		**737 880 234**	**675 437 203**
Assets		2 426 285 422	2 105 716 624
Liabilities		(737 880 234)	(675 437 203)
Net Assets		**1 688 405 188**	**1 430 279 421**

Statement of Financial Position as at 30 June 2014

Financial Liabilities	Note(s)	2014	2013
Reserves			
Capital replacement reserve	17	88 679 848	103 605 001
Insurance reserve	17	22 876 960	18 878 398
COID reserve	17	9 489 671	9 231 523
Accumulated surplus		1 567 358 709	1 298 564 499
Total Net Assets		**1 688 405 188**	**1 430 279 421**

Statement of Financial Performance

Financial Liabilities	.	2014	2013
Revenue			
Revenue from exchange transactions			
Service charges	28	835 048 152	838 429 273
Rental of facilities and equipment	41	17 795 473	14 253 286
Income from agency services		4 339 326	4 859 637
Licences and permits		2 708 266	2 568 220
Other income	31	36 945 397	35 598 570
Interest received - Debtors	35	56 744 324	32 108 158
Interest received - Investment	35	21 412 753	15 239 833
Gains on disposal of assets		275 336	-
Total revenue from exchange transactions		**975 269 027**	**943 056 977**
Revenue from non-exchange transactions			
Property rates	27	368 225 172	331 348 093
Public contributions and donations		720 724	-
Fines		11 553 669	15 511 018
Government grants & subsidies - Capital		140 152 984	109 957 776
Government grants & subsidies - Operational		166 600 914	166 865 416
Total revenue from non-exchange transactions		**687 253 463**	**623 682 303**
Revenue from non-exchange transactions		975 269 027	943 056 977
Total revenue from non-exchange transactions		687 253 463	623 682 303
Total revenue	26	**1 662 522 490**	**1 566 739 280**
Expenditure			
Employee related costs	33	(475 582 898)	(438 405 664)
Remuneration of councillors	34	(18 459 181)	(17 242 807)
Depreciation and amortisation	36	(41 988 288)	(35 751 405)
Impairment loss/ Reversal of impairments	38	(126 810 256)	(121 677 659)
Finance costs	39	(28 056 346)	(24 693 752)
Collection costs		(998 426)	(1 588 909)
Repairs and maintenance		(64 276 113)	(68 982 050)
Bulk purchases	42	(381 004 927)	(347 076 055)
Grants and subsidies paid		(19 564 339)	(2 622 586)
Loss on disposal of assets		-	(1 030 268)
General expenses	32	(247 655 949)	(239 900 919)
Total expenditure		**(1 404 396 723)**	**(1 298 972 074)**
		-	-
Total revenue		1 662 522 490	1 566 739 280
Total expenditure		(1 404 396 723)	(1 298 972 074)
Operating surplus		**258 125 767**	**267 767 206**

Sol Plaatje Local Municipality
(Registration number NC091)
Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Financial Liabilities	Capital Replacement Reserve (CR R)	Insurance Reserve	COID Reserve	Total Reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	17 532 883	18 638 831	9 063 943	45 235 657	1 067 468 451	1 112 704 108
Adjustments						
Correction of errors	-	-	-	-	49 808 107	49 808 107
Balance at 01 July 2012 as restated	**17 532 883**	**18 638 831**	**9 063 943**	**45 235 657**	**1 117 276 558**	**1 162 512 215**
Changes in net assets						
Transfer to Capital Replacement Reserve	110 500 000	-	-	110 500 000	(110 500 000)	-
Property,Plant and Equipment purchased	(24 427 882)	-	-	(24 427 882)	24 427 882	-
Contribution to Insurance Reserve	-	239 567	167 580	407 147	(407 147)	-
Net income (losses) recognised directly in net assets	86 072 118	239 567	167 580	86 479 265	(86 479 265)	-
Surplus for the year	-	-	-	-	267 767 206	267 767 206
Total recognised income and expenses for the year	86 072 118	239 567	167 580	86 479 265	181 287 941	267 767 206
Balance at 01 July 2013	**103 605 001**	**18 878 398**	**9 231 523**	**131 714 922**	**1 298 564 499**	**1 430 279 421**
Changes in net assets						
Surplus for the year	-	-	-	-	258 125 767	258 125 767
Transfer to Capital Replacement Reserve	42 255 269	-	-	42 255 269	(42 255 269)	-
Property, Plant and Equipment purchased	(57 180 422)	-	-	(57 180 422)	57 180 422	-
Contribution to insurance reserve	-	3 998 562	258 148	4 256 710	(4 256 710)	-
Total changes	(14 925 153)	3 998 562	258 148	(10 668 443)	268 794 210	258 125 767
Balance at 30 June 2014	**88 679 848**	**22 876 960**	**9 489 671**	**121 046 479**	**1 567 358 709**	**1 688 405 188**

Note(s)

Cash Flow Statement

Financial Liabilities	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 276 615 455	1 230 691 580
Grants		306 753 898	276 823 192
Interest Received - Investments		21 412 753	15 173 351
Interest Received - Debtors		56 744 324	32 108 158
		1 661 526 430	1 554 796 281
Payments			
Employee costs		(494 042 079)	(455 648 471)
Suppliers		(964 284 898)	(772 166 459)
Finance costs		(28 056 346)	(24 693 752)
		(1 486 383 323)	(1 252 508 682)
Total receipts		1 661 526 430	1 554 796 281
Total payments		(1 486 383 323)	(1 252 508 682)
Net cash flows from operating activities	43	**175 143 107**	**302 287 599**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(238 072 154)	(41 570 163)
Purchase of other intangible assets	14	(208 165)	(100 080)
Purchase of Property,Plant and Equipment - WIP		-	(137 617 792)
Proceeds from sale of trade receivables from exchange transactions		(128 470)	-
Net cash flows from investing activities		**(238 408 789)**	**(179 288 035)**
Cash flows from financing activities			
Loans Raised		64 803 069	57 072 801
Loans Repaid		(20 303 318)	(16 392 756)
Net cash flows from financing activities		**44 499 751**	**40 680 045**
Net increase/(decrease) in cash and cash equivalents		**(18 765 931)**	**163 679 609**
Cash and cash equivalents at the beginning of the year		323 965 041	160 285 432
Cash and cash equivalents at the end of the year	7	**305 199 110**	**323 965 041**

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 and the Municipal Finance Management Act 2003 (Act Number 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Changes in Accounting policy and comparability

The Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2013 and 30 June 2014 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below. Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

The municipality changes an accounting policy only if the following instances:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity’s financial position, financial performance or cash flow.

1.2 Significant judgements and sources of estimation uncertainty

In the application of the municipality's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations, that the management have made in the process of applying the municipality’s Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

The Accounting Policy on Revenue from Exchange Transactions and Accounting Policy on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue, as far as Revenue from Non-Exchange Transactions is concerned. In particular, whether the municipality, (i) when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and (ii) when services are rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that recognition of the revenue in the current year and prior year is appropriate.

1.2.2 Water Inventory

The estimation of water inventory in the reservoirs are based on the measurement of water via the electronic level sensors where the level indicates the depth of water in the reservoir which is then converted into volumes based on the total capacity of the relevant reservoir. Furthermore, the lenght and width of all pipes are also taken into account during determining the volume of water on hand at year end. Refer to Note 4 in the annual financial statements.

1.2.3 Budget information

Deviations between the budget and actual amounts are regarded as material if they exceed a 5% deviation. all material differences are explained in the notes/appendices to the annual financial statements.

Accounting Policies

1.2 Transfer of functions between entities under common control (continued)

1.2.4 Impairment of Property,Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets & Inventories

The accounting Policy on 'PPE - Impairment of assets and accounting policy' on 'Intangible assets - Subsequent Measurement, Amortisation and Impairment' and accounting policy on 'Inventory - Subsequent measurement' describes the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to PPE impairment testing, Intangible assets impairment testing and write down of Inventories to the lowest of Cost and Net Realisable Values (NRV).

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 26: "Impairment of cash generating assets' and GRAP 21: 'Impairment of Non - Cash generating Assets'. In particular, the calculation of the recoverable service amount for PPE and intangible assets and the NRV for inventories involves significant judgment by management.

1.2.5 Impairment of financial assets and financial liabilities

The accounting policy on Impairment of financial assets and financial liabilities describes the process followed to determine the value by which financial assets and financial liabilities should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP104: 'Financial Instruments' and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets and financial liabilities recorded during the current and prior year is appropriate.

1.2.6 Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

1.2.7 Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities as set out in notes. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.8 Useful lives of Property, Plant and Equipment

As described in the accounting policy; 'Property, Plant and Equipment', the municipality depreciates its property, plant and equipment, investment property and amortise intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives and in what condition they will be at that time..

1.2.9 Defined benefit plan liabilities

As described in the accounting policy ,the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards and Ex-gratia awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6 to the Annual Financial Statements.

1.2.10 Financial assets and liabilities

The classification of financial assets and liabilities, into categories, is based on judgement by management. The accounting policy on Financial Assets Classification and Accounting Policy on Financial Liabilities Classification describe the factors and criteria considered by management of the municipality in the classification of financial assets and liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 Financial Instruments.

Accounting Policies

1.2 Transfer of functions between entities under common control (continued)

1.3 Statutory funds and reserves

1.3.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of delegated powers.
The following provisions are set for the creation and utilisation of the CRR:
• The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the investment policy of the Entity.
• The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment, and may not be used for the maintenance of these items.
• Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by a corresponding amount.
• If a profit is made on the sale of assets, the profit on these assets is reflected in the Statement of Financial Performance and is not transferred to the CRR, as it is regarded as revenue.

1.3.2 Self Insurance reserve

A general insurance reserve has been established, and subject to reinsurance where deemed necessary, it covers claims that may occur. Premiums are charged to the respective services and credited to the operating accounts as per budgeted amount. Reinsurance premiums paid to external reinsurers and other expenditure are regarded as an expense, and are debited against the operating accounts shown in the Statement of Financial Performance. The net surplus or deficit on the insurance operating accounts is transferred to or from the insurance reserve via the Statement of Changes in Net Assets.

1.3.3 Compensation for occupational injuries and diseases (COID) reserve

The Municipality has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of Section 84 of the COID Act (Act No. 130 of 1993). The certificate of exemption issued by the Commissioner, and as prescribed by the COID Act, requires that the Municipality deposits cash and/or securities with the Commissioner. Premiums are charged to the respective services and credited to the operating accounts as per budgeted amount. The net surplus or deficit on the COID operating account is transferred to or from the COID reserve via the Statement of Changes in Net Assets.

1.3 Intangible assets

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.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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.

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.

Accounting Policies

1.3 Intangible assets (continued)

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:

Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 Presentation of currency

These annual financial statements are presented in South African Rand(ZAR), rounded off to the nearest Rand, which is the municipality's functional currency.

1.5 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.6 Offsetting

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

1.7 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 20 Related Part Disclosures (Revised)
GRAP 32 Service Concession Arrangement Grantor - issued December 2009
GRAP 105 Transfers between Entities under common control - issued November 2010
GRAP 106 Transfers between Entities not under common control - issued November 2010
GRAP 107 Mergers - issued November 2010
GRAP 108 Statutory Receivables - issued December 2009

Application of the above GRAP standard will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following GRAP standards became effective during the financial year ended 30 June 2014:

GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 26 Impairment of Cash-generating Assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments - October 2009

The impact of above standards becoming effective has been considered by management. The impact on of these new effective standards has been disclosed in Note 3 of the financial statements.

The ASB Directive 5 paragraph 29 allows for the Municipality to may select to apply the principles established in a Standard of GRAP that has been issued, but is not yet in effect, in developing an appropriate accounting policy dealing with a particular transaction or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

1.8 Property, plant and equipment

1.8.1 Initial recognition

Property, plant and equipment are tangible non-current 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 year.

Property, plant and equipment (continued)

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
- if the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on its acquisition date.

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

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

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

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.8.2 Subsequent measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

1.8.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite useful life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality.

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

Item	**Years**
Buildings	30
Furniture and fixtures	5 - 15
Motor vehicles	5 - 20
Computer equipment	5 - 7
Infrastructure	
• Roads and paving	1 - 50
• Electricity	1 - 82
• Water	1 - 120
• Sewerage	1 - 100
• Landfill sites	25 - 30
• Storm water	1 - 60
• Street lights	1 - 40
Community buildings	
• Recreational facilities	30
• Security	3 - 5
Machinery and equipment	4 - 15
Other items of plant and equipment	2 - 15

Accounting Policies

Property, plant and equipment (continued)

Specialised plant and equipment	2 - 15
Bins and containers	5
Specialised vehicles	5 - 15
Water network	15
Other property, plant and equipment # 4	
• Land	Indefnite

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

Depreciation only commences when the asset is available for use, unless stated otherwise.

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.

1.8.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

1.8.5 Leased Assets:

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

1.8.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy**.**

1.8.7 Derecognition of Property,Plant and Equipment

An item of Property, Plant and Equipment of the municipality is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

Gains from the sale of assets are not classified as revenue. Gains or losses from the sale of assets are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds. This is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

1.9 Other considerations and principles

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

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

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

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

Accounting Policies

Other considerations and principles (continued)

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

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

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

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

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

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

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

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

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

1.10 Intangible Assets

1.10.1 Initial recognition

Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available and the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21/ 26.

The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the assets given up.

Accounting Policies

(continued)
1.10.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 31 expenditure on an intangible itemthat was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at the later date. Intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period,however such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

Amortisation only commences when the asset is availabe for use,unless stated otherwise.

1.10.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.11 Investment Property

1.11.1 Initial Recognition

Investment property includes property e.g (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

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

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;

- Land held for a currently undetermined future use. e.g (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);

- A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases. This will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality; and

- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.Property that is being constructed or developed for future use as investment property;

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;

Accounting Policies

(continued)

- Property being constructed or developed on behalf of third parties;

- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;

- Property that is leased to another entity under a finance lease;

- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and

- Property held for strategic purposes or service delivery.

1.11.2 Subsequent Measurement

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation anmd accumulated impairment losses. Depreciation is calculated on cost, using the Straight-Line Method over the useful life of the property, which is estimated at 20 - 30 years. Components of assets thhat are significant in relation to the whole asset and that have different useful lives are depreciated seperately.The gain or loss arising on the disposal of an Investments proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.11.3 Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) 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.

1.12 Financial instruments

1.12.1 Financial Assets - Classification

A financial asset is any asset that is cash or contractual right to receive cash.

In accordance with GRAP 104 the financial assets of the municipality are classified as follows into the three categories allowed by this standard..

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that are quoted in an active market. They are included in current assets except for maturity greater than 12 months which are classified as non current assets. FInancial assets are amortised cost are initially recognised at fair value plus transaction cost are directly attributable to the acquisition or issue of the financial asset. Atter initial recognition financial assets are measured at amortised cost using the effective interaste rate method less the provision for impairment.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

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

The municipality has the following types fo financial assets of the face of the State of Financial Position.

Financial instruments (continued)

Class	Category
Non - current Investments	Financial asset measured at amortised cost
Long-term Receivables	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
Bank, Cash and Cash Equivalents	Financial asset measured at fair value cost
Current Portion of Non-current Investments	Financial asset measured at amortised cost
Current Portion of Long-term Receivables	Financial asset measured at armortised cost

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits). cash equivallents are short term and highly liquid investments, readily convertible into known amounts of cash, that are held with registered with institutions with maturities of three months or less and are subject to an insignificant risk of change in value. for the purposes of cash flowstatement, cash and cash equivalents comprise cash on hand, deposits held on call with banks nett of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets as financial assets. financial assets are amortised at cost.

Cash includes cash on hand (including petty cash) and cash at bank (including call deposits). cash equivallents are short term and highly liquid investments, readily convertible into known amounts of cash, that are held with registered with institutions with maturities of three months or less and are subject to an insignificant risk of change in value. for the purposes of cash flowstatement, cash and cash equivalents comprise cash on hand, deposits held on call with banks nett of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets as financial assets. financial assets are amortised at cost.

1.12.2 Financial liabilities - classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

There are three main categories of financial liabilities. The classification determines how they are measured.

- Financial liabilities measured are measured at fair value

Class	Category
Long-term Liabilities	Financial liability measured at amortised cost
Payables from Exchange Transactions	Financial liability measured at amortised cost
Payables from Non- excahnge Transactions	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at fair value
Short-term Loans	Financial liability measured at amortised cost
Current Portion of Long-term Liabilitites	Financial liability measured at amortised cost

Accounting Policies

1.13 Risk management of financial assets and liabilities

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market risk

- Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.
- The maximum exposure to cashflow and fair value risk, price risk and foreign currency risk.
- Sensitivity analysis for each of the market risks

Credit risk

- Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the municipality receivables from customers and investment securities.
- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

Liquidity risk

- Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality 's reputation.
- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 47.7 to the annual financial statements
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

1.14 Leases

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

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

Accounting Policies

Leases (continued)

1.14.1 Finance leases - Municipality aslessee

- Effective interest rate method
- Derecognition
- Finance cost expensed when incurred

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

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

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

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

1.14.2 Operating leases - municipality as a lessor

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

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

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

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

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

1.14.3 Operating leases - municipality as a lessee

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

1.15 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs is deemed ato be equal to its fair value at the date of acquisition.Where inventory is manufactured,constructed or produced,the cost includes,the cost of labour,materials and overheads used during the manufactering

1.15.1 **Subsequent measurement**

Including in inventory are consumable stores,raw materials, W/P ,water inventory,unsold properties and other arrangments

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 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 are assigned using specific identification of the individual costs.

Accounting Policies

Inventories (continued)

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

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

1.16 Non-current assets held for sale

1.16.1 Initial recognition

Non-current Assets 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.

1.16.2 Subsequent measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous 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 in the statement of financial performance.

The gain or loss on the eventual sale of non-current assets held for sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held for sale, is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

1.17 Revenue Recognition

Revenue in general is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

1.17.2 Revenue from exchange transactions

1.17.2.1. Service Charges

Service charges relating to solid waste, sanitation and sewage are levied in terms of the approved tariffs.

Accounting Policies

Revenue Recognition (continued)

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Accounting Policies

Revenue Recognition (continued)
1.17.2.2 Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale and if payment is made five days before year end, it's recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

1.17.2.3 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time-proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

1.17.2.4 Tariff charge

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

1.17.2.5 **Income from Agency Services**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

1.17.2.6 Sale of goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- The municipality has transferred to the buyer 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17.2.7 Rentals

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.17.2.8 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with

the substance of the relevant agreement, where applicable.

1.17.2.9 Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

1.17.3 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Accounting Policies

Revenue from non-exchange transactions (continued)

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

1.17.3.1 Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

1.17.3.2 Fines

Fines are defined as revenue from non-exchange transactions. It is revenue that arises from another entity without directly giving approximately equal value in exchange or gives value to another entity without directly receiving approximately equal value in exchange.Fines will be accounted on a accrual basis based on IGRAP 1.

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received,.

Fines are economic benefits or service potential received or receivable by entities as determined by a court or other law enforcement body as a consequence of breach of laws and regulations. Where a defendant reaches an agreement with a prosecutor that includes a payment of a penalty, instead of being tried in court, that penalty is recognised as a fine.

Initial recognition

Revenue from fines shall be recognised when an inflow of resources from non-exchange transaction is probable. The probability of inflow shall be determined when an allegation that an offence has been committed and that the offender must appear in court or before other law enforcement body. Normally, fines require an entity/offender to transfer a fixed amount of cash to the municipality and do not impose the obligation to the municipality to recognise a liability, as such fines shall be recognised as revenue when receivables meets the definition of an asset and satisfies the criteria for recognition as an asset.

Measurement

At initial and subsequent recognition, fines shall be measured based on fair value of the asset.

Impairment

Fines shall be assessed for indicators of impairment at the end of each reporting period. Fines not collected or fines where no warrant of arrests or summonses have been issued shall be impaired at measurement date.

1.17.3.3 Debt forgiveness

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

1.17.3.4 Other donations and contributions

Non-exchange transactions for assets @ FV

Agreement Cricteria , Return of assets , None enforceable , conditions met.

AgreementDonations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

Accounting Policies

Revenue from non-exchange transactions (continued)

1.17.3.5 Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures and is recognised when the recovery thereof from the responsible councillor or officials is virtually certain.

1.18 Conditional grants and receipts

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Government grants and conditional receipts are recognised as revenue when:

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

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.19 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.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

Provisions and contingencies (continued)

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.20 Environmental rehabilitation provision

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

1.21 Employee benefits

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

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

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

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

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

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

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

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

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

Accounting Policies

Employee benefits (continued)

Short-term employee benefits

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

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

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

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

The entity recognise the expected cost of bonus, incentive and performance related payments when the 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 entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

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

Accounting Policies

Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure 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 determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the 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:

Accounting Policies

Employee benefits (continued)

- 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, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

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

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 [OR is not] 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 municipality 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.

1.22 Borrowing costs

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

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

1.23 Impairment - General

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

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

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

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

Impairment - General (continued)

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

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

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

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

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow The municipality has looked at the definition of cash generating assets which determine that an asset can be identified as cash generating asset if there is a commercial return. The municipality do not operate in a profit-oriented manner and the main focus is to provide a service therefor all the assets will be classified as non-cash-generating assets.

1.23.1 Impairment of Cash generated Assets

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

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The best evience of fair value less cost to sell is the price in a binding sale agreement in an arm lenght transaction,adjusted for the incremental cost that would be directly attributed to the disposal of the assets.

A value in use of a cash generating asset is the presentation 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 usefull life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.23.2 Impairment of Non-Cash generated assets

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

Accounting Policies

Impairment - General (continued)

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset’s remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit in the statement of financial performance.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.24 Heritage Assets

An heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

1.24.1 Inital Recognition

The cost of an item of heritage assets is recognised as an asset if, and only if it is probable that future economic benefit or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can measured reliably.

Heritage assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant of donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of heritage asset purchases price and other costs attributable to bring the asset to the location and condition necessary for it to be call operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.. The cost also included the necessary costs of dismanting and removing the asset and restoring the site on which it is located.

Where an heritage asset is acquired by the municipality for no or nominal consideration (i.e a non-exchange transaction), transaction is deemed to be equal to the fail value of that asset on the date acquired.

The cost of an item of heritage assets acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the value of the asset received is more clearly evedent. If the acquired item could not be measured at its fair value, its measured at the carrying amount of the asset given up.

1.24.2 Subsequent Measurement

Subsequent expenditure relating to heritage assets capitalised if it is probalbe that future economic benefits of potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost of fair calue of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalise it increase the capacity or future economic benefits associated with the asset. Where the municipality replaces part of an heritage asset,it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all the heritage assets are measured at cost less accumulated impairment losses. Heritage assets are not depreciated , owing to uncertainty regarding to their estimated useful lives.

Accounting Policies

1.25 Share capital / contributed capital

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

1.26 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; or
- 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.t

1.27 Value added tax

The Municipality accounts for Value Added Tax on the payment basisin accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991)

1.28 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

1.29 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) MFMA number 56 of 2003
(b) Public Office Bearers Act (Act No. 20 of 1998

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

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

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

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

1.30 Frutless and Wasteful expenditure

Frutless and wasteful expenditure are expenditure described as per the Municipal Finance Act.

1.31 Treatment of administration and other overhead expenses

The cost of internal support are transferred to the various services and departments to who resources are made available.

Accounting Policies

1.32 Changes in accounting policies, estimates and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 46 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1.33 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.34 Translation of foreign currencies

1.34.1 Foreign currency transactions

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

1.35 Comparative figures

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

1.36 Contingent assets and contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

1.37 Commitments

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

Accounting Policies

Commitments (continued)

- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancellable or only cancellable at significant cost contracts should relate to something other than the business of the municipality.

2. General Information

Sol Plaatje Local Municipality (the municipality) is a local government institution in Kimberley, Northern Cape Province, and is one of four local municipalities within the Frances Baard District Municipality. The address of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements. The principal activities of the municipality are prescribed by Constitution of the Republic of South Africa as amended and in line the Municipal Finance Management Act (MFMA).

3. Changes in accounting policy

4. Inventories

	2014	2013
Inventory stores - at cost	22 207 829	18 195 624
Water	1 199 276	1 085 025
	1 199 276	1 085 025
	23 407 105	**19 280 649**

Inventory pledged as security

No inventory has been pledged as security for liabilities.

The net realisable value of the above water inventory is seen higher than the cost as stipulated above.

The cost of Inventories recognised as an expense (included in general expenses) in respect of write downs of Inventory to Net Realisable Value of which was approved by Council amounted to R131,698 (2013: R156,606).

The cost of Inventories recognised as an expense during the period was R37,215,176 (2013: R41,612,482).

5. Trade receivables from exchange transactions

	2014	2013
Gross balances		
Electricity	120 299 204	110 747 017
Refuse	50 672 965	38 122 558
Sewerage	63 811 661	46 895 035
Water	225 886 766	164 280 041
Miscellaneous	323 702 346	261 958 537
Market	846 002	806 126
Housing Debtors	23 232 978	18 896 383
Non current portion - Exchange Transactions	(707 754)	(3 635 319)
	807 744 168	**638 070 378**

	2014	2013
Less: Allowance for impairment		
Rates	-	-
Electricity	(81 360 693)	(82 577 640)
Refuse	(34 271 113)	(22 909 645)
Sewerage	(43 157 067)	(26 598 695)
Water	(152 771 613)	(87 698 456)
Miscellaneous	(218 926 190)	(195 058 474)
Market	(572 167)	(660 139)
Housing debtors	(15 712 915)	(13 102 197)
	(546 771 758)	**(428 605 246)**

Accounting Policies

5. Trade receivables from exchange transactions (continued)

Net balance		
Electricity	38 938 511	28 169 377
Refuse	16 401 852	15 212 913
Sewerage	20 654 594	20 296 340
Water	73 115 153	76 581 585
Miscellaneous	104 776 156	66 900 063
Market	273 835	145 987
Housing rental	7 520 063	5 794 186
Non current portion - exchange transactions	(707 754)	(3 635 319)
	260 972 410	**209 465 132**

Non Current portion of exchange transaction		
Arrangements - Non Current portion	(707 754)	(3 635 319)

Electricity		
Current (0 -30 days)	46 626 559	50 595 403
31 - 60 days	7 170 885	6 500 666
61 - 90 days	4 695 448	3 299 108
+ 90 days	61 806 312	50 351 840
Provision for impairment	(81 360 693)	(82 577 640)
	38 938 511	**28 169 377**

Water		
Current (0 -30 days)	25 859 701	29 431 200
31 - 60 days	10 995 212	9 501 002
61 - 90 days	10 141 843	9 885 633
+ 90 days	178 890 010	115 462 206
Provision for impairment	(152 771 613)	(87 698 456)
	73 115 153	**76 581 585**

Sewerage		
Current (0 -30 days)	4 211 181	4 102 778
31 - 60 days	2 703 216	2 668 664
61 - 90 days	2 475 056	2 594 721
+ 90 days	54 422 208	37 528 872
Provision for impairment	(43 157 067)	(26 598 695)
	20 654 594	**20 296 340**

Refuse		
Current (0 -30 days)	3 239 453	3 164 232
31 - 60 days	2 009 283	1 981 442
61 - 90 days	1 835 741	1 925 038
+ 90 days	43 588 488	31 051 846
Provision for impairment	(34 271 113)	(22 909 645)
	16 401 852	**15 212 913**

Market		
Current (0 -30 days)	846 002	806 126
Provision for impairment	(572 167)	(660 139)
	273 835	**145 987**

Accounting Policies

5. Trade receivables from exchange transactions (continued)

Housing Rentals

Current (0 -30 days)	540 545	528 623
31 - 60 days	465 022	461 387
61 - 90 days	455 568	452 830
+ 90 days	21 771 843	17 453 543
Provision for impairment	(15 712 915)	(13 102 197)
	7 520 063	**5 794 186**

Miscellaneous

Current (0 -30 days)	14 691 830	15 631 786
31 - 60 days	8 931 013	7 824 099
61 - 90 days	8 245 243	10 387 429
+ 90 days	291 834 260	228 921 349
Provision for impairment	(218 926 190)	(195 864 600)
	104 776 156	**66 900 063**

Summary of debtors by customer classification

Household

Current (0 -30 days)	48 812 903	71 044 067
31 - 60 days	25 766 033	21 996 176
61 - 90 days	21 940 494	25 726 362
+ 90 days	539 561 278	394 501 662
	636 080 708	513 268 267
Less: Allowance for impairment	(354 238 414)	(315 621 009)
	281 842 294	**197 647 258**

Industrial / Commercial

Current (0 -30 days)	33 706 319	36 329 911
31 - 60 days	8 732 823	7 609 537
61 - 90 days	7 261 740	4 925 403
+ 90 days	110 601 040	90 298 986
	160 301 922	139 163 837
Less: Allowance for impairment	(96 045 636)	(58 529 902)
	64 256 286	**80 633 935**

National and provincial government

Current (0 -30 days)	10 699 698	10 195 580
31 - 60 days	4 210 802	4 914 499
61 - 90 days	4 223 676	2 374 247
+ 90 days	204 449 983	122 320 047
	223 584 159	139 804 373
Less: Allowance for impairment	(96 487 709)	(54 454 335)
	127 096 450	**85 350 038**

Total

Current (0 -30 days)	93 218 920	51 790 759
31 - 60 days	38 709 658	18 847 858
61 - 90 days	33 425 910	15 076 113
+ 90 days	854 612 301	413 918 741
	1 019 966 789	499 633 471
Less: Allowance for impairment	(546 771 759)	(428 605 246)
	473 195 030	**71 028 225**

5. Trade receivables from exchange transactions (continued)

Consumer debtors are billed monthly, latest end of month. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of consumer debtors. Miscelaneous consists mainly of interest charged on outstanding debtors and VAT on all services.

The municipality receives applications that is processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represents more than 5% of the total balance of consumer debtors. The Municipality does not require collateral in respect of trade and other receivables, except for consumer deposits made by consumers with the connection of water and electricity services.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair value.

Ageing of impaired consumer debtors		
Current (0 -30 days)	(4 394 141)	(3 444 494)
31 - 60 days	(3 351 777)	(2 627 402)
+ 60 days	(2 929 472)	(2 296 364)
91 - 120 days	(536 096 368)	(420 236 986)
	(546 771 758)	**(428 605 246)**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(428 605 245)	(312 510 052)
Contributions to allowance	-	-
	-	-
Contributions to allowance	(133 000 000)	(122 000 000)
Debt impairmant written off against allowance	15 429 796	5 904 806
Reversal of allowance	(596 309)	-
	(546 771 758)	**(428 605 246)**

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. Further more the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers, and is not concentrated in any particular sector or geographical area. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of consumer debtors has been made for all consumer balances outstanding based on the payment ration over 12 months per service type. No further credit provision is required in excess of the Provision for impairment..

Accounting Policies

6. Trade receivables from non-exchange transactions

Assessment rates	237 749 367	150 530 780
Miscellaneous debtors	6 802 499	9 180 777
Government susidy claims	55 024 488	54 016 524
Non Current portion of trade receivables	(128 470)	(484 012)
Traffic Fines - Debtors	17 957 152	10 858 947
Traffic FInes - Impairment	(14 909 117)	(10 858 947)
	302 495 919	**213 244 069**

9.1 Ageing of Consumer Debtors

Rates: Ageing	237 749 367	150 530 780
Current:	-	-
0 - 30 days	15 615 100	14 115 536
Past Due:	-	-
31 - 60 days	6 427 147	5 582 952
61-90 Days	5 564 576	4 481 253
+90 Days	210 142 544	126 351 039
	237 749 367	**150 530 780**

Management of the municipality is of the opinion that the carrying value of trade receivables from non-exchange transactions approximate their fair value. In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

The average credit period for Government Grants and Subsidies is dependent on the Goverment Department involved and the nature of the claim. No interest is charged on outstanding Government Grandts and Subsidies. The subsidies is payable to the municipality due to allaocations made in the DORA or based on agreements between the municipality and the relevant departments.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	15 470	15 470
Bank overdraft	(15 407 715)	(12 595 368)
Call Deposits	320 591 355	336 544 939
	305 199 110	**323 965 041**

Current assets	320 606 825	336 560 409
Current liabilities	(15 407 715)	(12 595 368)
	305 199 110	**323 965 041**

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.

Accounting Policies

7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2014	30 June 2013	30 June 2012	Cash book balances 30 June 2014	30 June 2013	30 June 2012
Standard Bank of South Africa Ltd - Cheque account - 040065367	24 430 080	14 461 800	5 403 112	4 290 537	8 857 227	15 864 737
Standard Bank of South Africa Ltd - Cheque account - 040065405	-	-	-	(18 094 191)	(19 064 484)	(16 810 698)
Standard Bank of South Africa Ltd - Cheque account - 040065391	-	-	(240)	(1 006 043)	(1 267 074)	(9 488 534)
Standard Bank - Account Type - 040065393	(200)	20	-	(560 314)	(498 202)	(573 803)
Standard Bank - Account Type - 040036340	-	-	-	(37 704)	(622 834)	(636 859)
Total	**24 429 880**	**14 461 820**	**5 402 872**	**(15 407 715)**	**(12 595 367)**	**(11 645 157)**

Interest on overdrawn current accounts are charged at the bank's prime rate per annum. Interest is earned at different rates per annum on favourable balances.
Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3.8% to 6.6% per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rate of varying from 5.98% to 7% per annum.

A fixed deposit of R2,418,222 (2013:R2,371 736) was made as a security to the Self-Insurance Workman Compensation reserve as required by the Department of Labour - Compensation Commissioner.

A fixed deposit of R20,973,203(2013: R20,973,204) was invested and ceded to Developent Bank of South Africa representing the equivalent of one instalment of a loan taken up during the current financial year.

8. Operating lease asset (accrual)
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Non-current assets - Operating Leases	-	-
Balance at 30 June	91 113	98 017
Operating Lease expenses recorded	454 477	438 332
Operatng Lease payment recieved	(453 520)	(445 236)
	92 070	**91 113**

8.1 Leasing Arrangements
The Municipality as Lessor
Operating Leases relate to property owned by the municipality with lease terms of between 1 to 10 years. The lessees do not have an option to purchase the property at the expiration of the lease period. Operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew.

	2014	2013	Total
Rental Revenue earned from Investment Property	41 169	34 753	75 922

11.2 Amounts receivable under Operating leases
At the Reporting date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property ,Plant and Equipment,which are receivable as follows:

Accounting Policies

8. Operating lease asset (accrual) (continued)

	Up to 1 year	2 to 5 years	More then 5 years	Total OL Arrangements
2014	487 734	1 076 069	50 444	1 614 247
2013	322 481	730 556	83 629	1 136 666
	810 215	1 806 625	134 073	2 750 913

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase in current year income of R956 (2013: R6 903).
The following restrictions have been imposed by the municipality in terms of its lease agreements:
(i) The lease shall not have the right to sublet,cede or assign the whole or any portion of the premises let.
(ii)The lessor or its duly authorised agent,representative or servant shall have the right at all reasonable times to inspect the premises let.
(iii) The lease shall use the premises let for the sole purpose prescribed in the agreement.

9. VAT receivable

VAT Receivable from Exchange Transactions	12 830 004	11 888 975

VAT is payable on the payment basis. Only once payment is reveived from debtors, VAT is paid over to SARS.

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

10. Non current assets held for sale

Non-current Assets are held for Sale:

	2014	**2013**
Other Assets Held-for-Sale-at cost	141 858	1 091 861
Subtotal	141 858	1 091 861
	141 858	1 091 861

Non-current Assets Held-for-Sale have been restated to adhere to the disclosure provisions of GRAP 100.

10.1 Other Assets Held-for-Sale
The municipality intends to dispose some of its Property, Plant and Equipment (all comprising of vehicles) through public auction within the next ten months. No Impairment loss was recognised on reclassification of the property as held-for-sale at 30 June 2014.

11. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Infrastructure	1 306 152 025	(369 219 048)	936 932 977	1 092 992 711	(348 240 747)	744 751 964
Community buildings	340 556 676	(42 023 835)	298 532 841	330 566 489	(34 638 964)	295 927 525
Leased assets	5 549 239	(5 549 239)	-	5 549 239	(5 465 925)	83 314
Other assets	120 266 364	(60 485 150)	59 781 214	108 370 757	(50 553 571)	57 817 186
Total	**2 379 856 274**	**(642 102 691)**	**1 737 753 583**	**1 900 424 379**	**(519 955 643)**	**1 380 468 734**

Accounting Policies

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Other changes,movements	Depreciation	Total
Infrastructure	744 751 964	11 085 873	(6 183)	2 119 902	(21 018 579)	936 932 977
Community buildings	295 927 525	11 152 887	(1 162 702)	-	(7 384 869)	298 532 841
Leased assets	83 314	-	-	-	(83 314)	-
Other Assets	57 817 187	13 713 492	(195 225)	-	(11 554 240)	59 781 214
	1 098 579 990	**35 952 252**	**(1 364 110)**	**2 119 902**	**(40 041 002)**	**1 295 247 032**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Infrastructure	617 868 632	5 718 164	-	(233 501)	135 125 883	(13 727 214)	744 751 96
Community buildings	311 570 929	-	(10 866 147)	-	2 491 909	(7 269 166)	295 927 52
Leased assets	673 501	-	-	(6 939)	-	(583 248)	83 31
Other Assets	35 877 737	35 851 998	-	(2 386 651)	-	(11 525 898)	57 817 18
	965 990 799	**41 570 162**	**(10 866 147)**	**(2 627 091)**	**137 617 792**	**(33 105 526)**	**1 098 579 98**

Pledged as security

Carrying amount of Property, Plant and Equipment retired from active use and held for disposal:

Leased Assets	-	83 314

The municipality's obligations under Finance Leases (see Appendix B) are secured by the lessors' title to the leased assets.

Other information

Property, plant and equipment temporarily idle (Carrying amount) An element of plant of the Municipality is currently temporarily not in use. The carrying amount of this asset, which is included in the reconciliation iof the carrying value of Property, Plant and Equipment as above, is as follows:	-	-
Property, plant and equipment retired from active use and held for disposal (Carrying amount) Other	(195 225)	(13 493 238)

Refer to Appendices "B, C and E(2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

Property, Plant and Equipment have been restated to include certain assets which were previously erroneously excluded from the Municipality's Asset Register. Refer to note 45 on Correction of Error for details on the restatement.

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.

12. Other financial assets

13. Employee benefit obligations

Post-retirement Health Care Benefits Liability

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 Mr. H Wilson of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

Carrying value		
Balance at the beginning of the year	(190 117 066)	(162 403 503)
Contributions to provision	5 001 000	3 773 604
Expenditure incurred	(27 588 957)	(22 398 198)
Actuarial (gains) / losses	10 301 023	(9 088 969)
Transfer to Current Provisions	5 530 000	4 100 748
	(196 874 000)	**(186 016 318)**
Non-current liabilities	(196 874 000)	(186 016 318)
Current liabilities	(5 530 000)	(4 100 748)
	(202 404 000)	**(190 117 066)**

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	1 443	1 284
In-service Non-members (Employees)	-	691
Continuation Members (Retirees, widowers and orphans)	179	149
	1 622	**2 124**

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

Balance at the beginning of the year	190 117 093	162 403 503
Current service cost	10 471 654	9 455 725
Interest cost	17 117 303	12 942 500
Benefits paid	(5 001 000)	(3 773 604)
Actuarial (gains) / losses	(10 301 023)	9 088 969
	202 404 027	**190 117 093**

Net expense recognised in the statement of financial performance

Current service cost	10 471 654	9 455 725
Interest cost	17 117 303	12 942 473
	27 588 957	**22 398 198**

The principal assumptions used for the purposes of the actuarial valuations were as follows:

13. Employee benefit obligations (continued)

Assumptions used at the reporting date:

Health care cost inflation rate	8,05 %	7,90 %
Discount rate	8,94 %	9,10 %
Net effective discount rate	82,00 %	1,11 %
Expected rate of salary increase	7,05 %	6,40 %
Expected retirement age - females	63	58
Expected retirement age - males	63	62

	2014	2013	2012	2011	2010
Present value of defined benefit obligations	202 404 000	190 117 066	162 403 503	138 942 199	117 046 164
	202 404 000	**190 117 066**	**162 403 503**	**138 942 199**	**117 046 164**

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase		
Effect on the aggregate of the current service cost and the interest cost	28 644 000	25 586 500
Effect on the defined benefit obligation	210 386 000	215 356 000
Decrease		
Effect on the aggregate of the current service cost and the interest cost	22 925 000	19 594 300
Effect on the defined benefit obligation	191 187 000	168 107 000

14. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	12 215 273	(11 116 969)	1 098 304	12 006 987	(9 400 076)	2 606 911

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	2 606 911	208 165	(1 716 772)	1 098 304

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software, other	4 922 197	100 078	(2 415 364)	2 606 911

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 32).

All of the municipality’s Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Accounting Policies

15. Heritage assets

	2014			2013		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Art Collections, antiquities and exhibits	36 155	-	36 155	36 155	-	36 155
Conservation areas	1 044 613	-	1 044 613	1 044 613	-	1 044 613
Historical buildings	5 721 175	-	5 721 175	5 721 175	-	5 721 175
Total	**6 801 943**	**-**	**6 801 943**	**6 801 943**	**-**	**6 801 943**

16. Investment Property

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	202 964 996	(1 209 268)	201 755 728	202 965 064	(978 822)	201 986 242

Reconciliation of investment property - 2014

	Opening balance	**Depreciation**	**Total**
Investment property	201 986 242	(230 514)	201 755 728

Reconciliation of investment property - 2013

	Opening balance	**Disposals**	**Depreciation**	**Total**
Investment property	202 216 823	(67)	(230 514)	201 986 242

Pledged as security

Revenue and Expenditure disclosed in the Statement of Financial Performance include Rental revenue warned from Investment Porperty of R41,169 (2013: R34,753).

All of the municipality’s Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance and proceeds of disposal.

There are no contractual obligations on Investment Property.

17. Accumulated surplus

The Accumulated Surplus consists of the following Internal Funds and Reserves - 2014:

	Capital replacement reserve	Self Insurance reserve	COID reserve	Accumulated surplus due to the results of Operations	Total Nett Assets
Opening balance	103 605 001	18 878 398	9 231 523	1 298 564 496	1 430 279 419
Surplus for the year	-	-	-	258 125 767	258 125 767
Transfer to capital replacement reserve	42 255 269	-	-	(42 255 269)	-
Property, plant and equipment purchases	(57 180 422)	-	-	57 180 422	-
Contribution to insurance reserve	-	3 998 562	258 148	(4 256 710)	1
	88 679 848	**22 876 960**	**9 489 671**	**1 567 358 706**	**1 688 405 186**

The Accumulated Surplus consists of the following Internal Funds and Reserves - 2013:

	Capital replacement reserve	Self insurance reserve	COID reserve	Accumulated surplus due to the results of Operations	Total Nett Assets
Opening balance	17 532 883	18 638 831	9 063 943	1 117 276 561	1 162 512 218
Surplus for the year	-	-	-	267 767 206	267 767 206
Transfer to capital replacement reserve	110 500 000	-	-	(110 500 000)	-
Property, plant and equipment purchases	(24 427 882)	-	-	24 427 882	-
Contribution to insurance reserve	-	239 567	167 580	(407 147)	-
	103 605 001	**18 878 398**	**9 231 523**	**1 298 564 502**	**1 430 279 424**

The Capital Replacement Reserve is a reserve to finance future capital expenditure and is fully cash backed.

The Self-insurance Reserve covers all internal and external insurance claims against Council. Council is externally insured for catastrophic events.

The COID Reserve arises on the exemption from making contributions to the Compensation Commissioner on Occupational Injuries and Diseases in terms of Section 84 of the COID Act. A fixed deposit as determined by the Commisioner was made as a security to the Self-insurance Workman Compensation Reserve.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

18. Other financial liabilities

Designated at fair value		
Annuity Loans	237 719 460	195 336 920
At amortised cost		
Short-term potion of Long term liabilities	13 727 842	11 356 434
FInance Lease obligation	8 644 116	8 898 313
	22 371 958	**20 254 747**
Total other financial liabilities	**260 091 418**	**215 591 667**

Accounting Policies

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.
R24,000,000 of the Debtors book as well as an investment of R20,973,203 with Standard Bank have been ceded as security on two loans with the DBSA.
Refer to Appendix "A" for more detail on Long-term Liabilities.

19. Finance lease obligation

Minimum lease payments due		
- within one year	8 644 115	8 898 313
- in second to fifth year inclusive	-	-
- later than five years	-	-
	8 644 115	8 898 313
less: future finance charges	-	-
Present value of minimum lease payments	**8 644 115**	**8 898 313**
Present value of minimum lease payments due		
- within one year	8 644 115	8 898 313
- in second to fifth year inclusive	-	-
- later than five years	-	-
	8 644 115	**8 898 313**

Finance Leases relate to Property, Plant and Equipment with lease terms of between 3 and 5 years (2013: 3 and 5 years). The effective interest rate on Finance Leases is between 0.88% and 9.83% (2013: 0.88% and 9.83%).

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality’s obligations under Finance Leases are secured by the lessors’ title to the leased assets.

The municipality has finance lease agreements for the following significant classes of assets:
- Office equipment

Included in these classes are the following significant leases:

(i) **Itec Digital Copier**

- Instalments are payable monthly in advance	
- Average period outstanding	0 months
- Average effective interest rate	5.14%
- Average monthly instalment	R2,462.03

(ii) **Scania Power Generator**

- Instalments are payable monthly in advance	
- Average period outstanding	0 months
- Average effective interest rate	3.71%
- Average quarterly instalment	R13,170.00

(iii) The average period outsanding refers to the number of months of which the contract is still valid or runs of which all of the them ended in December 2013 and January 2014. There is still an ongoing Legal battle between the Municipality and the Lessor regarding the contracts. Thefore the liability continue in the accounting records untill the issue have been resolved. The monthly instalments have been fully paid for the current financial year 2012/2013.

(iv) Scania Power Generator the contract has ended in June 2013.

Accounting Policies

20. Unspent conditional grants and receipts

See Note 28 for the reconciliation of Grants from Other Spheres of Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Grants	2 593 813	35 105 848

Accounting Policies

21. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitaion of Land-fill sites	29 518 533	2 119 902	-	-	-	31 638 435
Long-Term Service	14 323 824	1 521 657	876 207	(1 590 000)	1 772 312	16 904 000
Ex-Gratia Arrangements	624 207	-	46 261	-	164 532	835 000
Post-retirement medical aid benefits liability	4 100 748	1 429 252	-	-	-	5 530 000
	48 567 312	**5 070 811**	**922 468**	**(1 590 000)**	**1 936 844**	**54 907 435**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Rehabilitaion of Land-fill sites	25 188 242	4 330 291	-	-	-	29 518 533
Long-Term Service	13 372 118	2 128 354	803 887	(1 435 757)	(544 778)	14 323 824
Ex-Gratia Arrangements	551 734	-	45 394	-	27 079	624 207
Post-retirement medical aid benefits liability	3 773 604	327 144	-	-	-	4 100 748
	42 885 698	**6 785 789**	**849 281**	**(1 435 757)**	**(517 699)**	**48 567 312**

Non-current liabilities	47 442 435	41 781 681
Rehabilitation of Land-fill sites	31 638 435	29 518 533
Long-Term Service	14 969 000	11 638 941
Ex-Gratia Arrangements	835 000	624 207
Current liabilities	7 465 000	6 785 631
Short-term portion of Long-Term Service	1 935 000	2 684 883
Short-term portion of Retirement Medical Benefit	5 530 000	4 100 748
	54 907 435	**48 567 312**

Accounting Policies

21. Provisions (continued)

The provision obligation is split up in three categories, namely Rehabilitation of Land-fill sites, Long-Term Service and Ex-Gratia Arrangements.

Ex-Gratia Arrangements

Ex-gratia pensions are pensions that are paid by the Municipality from its revenue i.e. they are not funded or paid from one of the Municipality's pension arrangements. Provision has therefore not been made in this valuation for the possibility that future employees might be entitled to these annuities.

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 Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 2 employees were eligible for Ex-gratia arrangement awards.	**2014**	**2013**
The interest costs for the year is estimated to be:	46,261.00	45,394.00
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.96%	7.41%
Cost Inflation Rate	7.33%	7.07%
Net Effective Discount Rate	0.59%	0.32%
Expected Rate of Salary Increase	6.79%	6.84%
Expected Retirement Age - Females	63	58
Expected Retirement Age - Males	63	62
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	624,207	551,734
Interest cost	46,261	45,394
Actuarial losses / (gains)	164,532	27,079
Present Value of Fund Obligation at the end of the Year	835,000	624,207
Actuarial losses / (gains) unrecognised		
Total Recognised Benefit Liability	**835,000**	**624,207**
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	46,261	45,394
Actuarial losses / (gains)	164,532	27,079
Total Post-retirement Benefit included in Employee Related Costs	**210,793**	**72,473**

Accounting Policies

21. Provisions (continued)
The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	835,000	624,207	551,734	477,682	413,564
Deficit	835,000	624,207	551,734	477,682	413,564

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

	2014	2013
Increase:		
Effect on the aggregate of the interest cost	69,000	48,913
Effect on the defined benefit obligation	886,000	667,204
Decrease:		
Effect on the aggregate of the interest cost	64,000	42,122
Effect on the defined benefit obligation	806,000	583,903

Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The provision represents an estimation of the awards to which employees in the service of the Municipality may become entitled to in future, based on an actuarial valuation performed.

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 Mr H. Wilson, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end 1,475 (2013: 1,975) employees were eligible for Long-service Awards.

The current service cost for the year is estimated to be R1,521,657 (2013: R2,128,354), whereas the interest costs for the current year is estimated to be R876,207 (2013: R803,887).

	2014	2013
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.96%	6.74%
Cost Inflation Rate	7.33%	6.65%
Net Effective Discount Rate	0.59%	0.09%
Expected Rate of Salary Increase	6.79%	6.84%
Expected Retirement Age - Females	63	58
Expected Retirement Age - Males	32	62
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	14,323,824	13,372,118
Current service costs	1,521,657	2,128,354
Interest cost	876,207	803,887
Benefits paid	(1,590,000)	(1,435,757)
Actuarial losses / (gains)	(1,772,312)	(544,778)
Present Value of Fund Obligation at the end of the Year	**16,904,000**	**14,323,824**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	16,904,000	14,323,824
Total Benefit Liability	**16,904,000**	**14,323,824**

Accounting Policies

21. Provisions (continued)

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1,521,657	2,128,354
Interest cost	876,207	803,887
Expected return on plan assets	-	-
Benefits paid	(1,590,000)	(1,435,757)
Actuarial losses / (gains)	1,772,312	(544,778)
Total Post-retirement Benefit included in Employee Related Costs	**2,580,176**	**951,706**

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The actual return on plan assets was R0 (2013: R0).

The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	16,940,000	14,323,824	13,372,118	9,718,623	9,068,379
Deficit	16,940,000	14,323,824	13,372,118	9,718,623	9,068,379

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2008 reporting period.

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	3,475,000	3,084,200
Effect on the defined benefit obligation	17,877,000	14,779,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	3,067,000	2,792,900
Effect on the defined benefit obligation	16,007,000	13,8969,000

Rehabilitation of Land-fill Sites

In terms of the licensing of the landfill refuse sites, the municipality will incur the following licensing and rehabilitation costs to restore the site at the end of its useful life, estimated to be in 2025 (provision has been made for the net present value of this cost, using the average cost of borrowing interest rate): 31,638,435 29,518,533

An independent valuer performed the valuation. The valuer based his calculations on the rehabilitation costs incurred on a similar site in the Border area.

	2014	2013
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Inflation Rate	6.30%	6.55%
Size of landfill site in hectares	16	16
Annual tonnage of waste deposited	72 000	26 000

Approximately 1ha per year of the landfill site is considered to be filled with no air space remaining and may be prepared for rehabilitation.

22. VAT payable from exchange transactions

VAT payable from exchange transactions	20 909 631	16 530 053

Vat is payable on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

23. Payables from exchange transactions

Trade payables	121 496 008	100 649 844
Payments received in advanced - contract in process	12 733 710	14 122 811
Staff Bonuses	9 324 711	7 511 496
Other creditors	53 127	53 127
Accrued leave pay	26 804 532	23 375 794
	170 412 088	**145 713 072**

Various immaterial individual creditor balances have been restated for the prior year. Refer to Note on "Correction of Error" for details of the restatement.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

Staff Leave accrue to the staff of the municipality on an monthly basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

24. Financial instruments disclosure

25. Consumer deposits

Electricity and Water	16 684 134	15 317 566

Guarantees held in lieu of Electricity and Water Deposits are R3,582,717 (2013: R3,374,446)

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.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair value.

Accounting Policies

26. Revenue

Service charges	835 048 152	838 429 273
Rental of facilities and equipment	17 795 473	14 253 286
Income from agency services	4 339 326	4 859 637
Licences and permits	2 708 266	2 568 220
Other income	36 945 397	35 598 570
Interest received - investment	21 412 753	15 239 833
Dividends received	56 744 324	32 108 158
Property rates	368 225 172	331 348 093
Government grants & subsidies	166 600 914	166 865 416
Public contributions and donations	720 724	-
Fines	11 553 669	15 511 018
Other transfer revenue	140 152 984	109 957 776
	1 662 247 154	**1 566 739 280**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	835 048 152	838 429 273
Rental of facilities and equipment	17 795 473	14 253 286
Income from agency services	4 339 326	4 859 637
Licences and permits	2 708 266	2 568 220
Other income	36 945 397	35 598 570
Interest received - investment	21 412 753	15 239 833
Dividends received	56 744 324	32 108 158
	974 993 691	**943 056 977**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	368 225 172	331 348 093
Transfer revenue		
Government grants & subsidies	166 600 914	166 865 416
Public contributions and donations	720 724	-
Fines	11 553 669	15 511 018
Other transfer revenue	140 152 984	109 957 776
	687 253 463	**623 682 303**

Accounting Policies

27. Property rates

Rates received

Residential	110 747 223	98 736 243
State	152 028 352	136 957 822
Business	88 557 985	79 548 015
Rural	1 730 481	2 456 917
Residential Business	3 504 707	3 760 213
Industrial	10 637 630	8 692 447
Mining	1 018 794	1 196 436
	368 225 172	**331 348 093**

Valuations

Residential	11 055 630 000	10 986 285 445
Business	2 721 007 000	2 665 578 116
Residential Business	185 961 000	217 244 800
Rural	1 031 198 000	1 028 868 914
Industrial	230 491 000	205 155 700
PSI	32 914 000	31 397 800
State	1 903 064 000	1 870 006 000
Mining	5 686 000	7 273 300
Exempt	1 076 891 000	916 641 264
	18 242 842 000	**17 928 451 339**

A rebate of 50.00% (2013: 50.00%) was allowed on residential properties for pensioners based on the annual income of the ratepayers' household.

Valuations on land and buildings are performed every four years in terms of the Municipal property rates act (MPRA). The last general valuation came into effect on 1 July 2011. Supplementary valuations are processed when necessary to take into account changes in individual property values due to alterations, subdivisions, etc. Rates are levied on an annual basis with the final date of payment being 30 September each year. Ratepayers can apply to pay rates monthly. Assessment Rates are levied on the value of land and improvements, which 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.

28. Service charges

Sale of electricity	528 884 697	539 544 038
Sale of water	197 867 362	198 997 137
Refuse removal	44 695 360	41 220 691
Sewerage and sanitation charges	63 600 733	58 667 407
	835 048 152	**838 429 273**

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.

Accounting Policies

29. Government grants and subsidies

Govenment Grant - Operational	166 600 914	166 865 416
Government grants - Capital	140 152 984	109 957 776
	306 753 898	**276 823 192**

Local Government: Local Municipalities

Balance unspent at beginning of year	-	-
Current year receipts	2 663 000	2 525 000
Conditions met - transferred to revenue: operating expenses	(2 663 000)	(2 525 000)
Conditions still to be met - remain liabilities (see note 20)	**-**	**-**

The municipality renders health services on behalf of the Provincial Government and is refunded the gazette amount. The Grant has been used exclusively for health servicces (included in Appendix F).

National: MIG

Balance unspent at beginning of year	3 138 344	-
Current year receipts	52 243 000	55 028 000
Conditions met - transferred to revenue: operating expenses	(1 336 764)	(1 215 335)
Conditions met - tranfered to revenue: capital expenses	(54 044 580)	(50 674 321)
Conditions still to be met - remain liabilities (see note 20)	**-**	**3 138 344**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.

Provincial: Grants

Balance unspent at beginning of year	4 260 159	-
Current year receipts	12 465 516	10 600 457
Conditions met - transferred to revenue: capital expenses	-	(3 100 457)
Conditions still to be met - transferred to Liabilities(see note 16)	(16 625 675)	(3 239 841)
Conditions still to be met - remain liabilities (see note 20)	**100 000**	**4 260 159**

The grant is spent in accordance with business plans approved by the Provincial Government (included in APpendix F). No funds have been withheld.

Others spheres of Government: Various

Balance unspent at beginning of year	-	-
Current year receipts	-	7 768 133
Conditions met - transferred to revenue: capital expenses	-	(7 768 133)
Conditions still to be met - remain liabilities (see note 20)	**-**	**-**

The grant is spent in accordance with business plans plans approved by the Lotto (included in Appendix F). No funds have been withheld.

Provincial: Health Subsidy

Current year receipts	2 663 000	2 525 000
Conditions met - transferred to revenue: operating expenses	(2 663 000)	(2 525 000)

29. Levies (continued)

	-	-

The Municipality renders health services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to health services (included in Appendix F).

Other subsidies

Current year receipts - Liabary	1 281 000	1 295 000
Conditions met - transferred to revenue:capital	(1 706 497)	(1 395 000)
Current year receipts - Miscelaneous	425 497	100 000
	-	-

The Municipality renders services on behalf of the Provincial Government and is refunded the gazette amount. This grant has been used exclusively to resort expenditure (included in Appendix F). The conditions of the grant have been met.

National: FMG

Current year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue: operating expenses	(1 550 000)	(1 500 000)
	-	-

Conditions still to be met - remain liabilities (see note 20)

The Financial Management Grant is paid by National Treasury to high capacity 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 Programme (e.g. salary costs of the Financial Management Interns).

The grant is spent in accordance with National Treasury guidelines (included in Appendix F). Not all funds have been paid.

National: EPWP

Current year receipts	6 618 000	7 660 000
Conditions met - transferred to revenue: operating expenses	(6 618 000)	(7 660 000)
	-	-

Conditions still to be met - remain liabilities (see note 20)

The grant was used for various projects (included in Appendix F). No funds have been withheld.

National: Funds

Balance unspent at beginning of year	27 707 346	7 220 000
Current year receipts	45 006 928	69 633 291
Conditions met - transferred to revenue: operating expenses	(4 421 653)	(2 176 624)
Conditions met - transferred to revenue: capital expenses	(65 698 809)	(46 969 321)
	2 593 812	**27 707 346**

Conditions still to be met - remain liabilities (see note 20)

The grant was used for various projects (included in Appendix F). No funds have been withheld.

30. Public contributions and donations

Public contributions and donations 1	720 724	-

No Public contributions were received for the financial year..

31. Other income

Premiums received and claims recovered	8 104 307	4 097 719
Admission and transaction fees	7 161 691	3 787 610
Burial Fees	1 493 555	1 471 516
Disconnections	6 106 391	10 851 050
Dues	3 811 691	3 475 168
Miscellaneous revenue	5 792 308	6 241 103
Pail and vacuum fees	1 005 662	901 414
Unclaimed fines,deposits and stale cheques	1 053 902	1 410 392
Other income	2 415 890	3 362 598
	36 945 397	**35 598 570**

The amounts disclosed above for Other Income (Revenue) are in respect of services, other than described in Notes 22 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

Accounting Policies

32. General expenses

Auditors fees	4 374 711	3 293 316
Audit committee	376 771	228 288
Bank Charges	2 170 168	1 734 046
Claims paid	1 823 433	1 063 043
Clarification	6 614 695	4 942 090
Cleaning Material	451 962	409 782
Conferences and seminars	8 421 734	6 271 078
Course fees / Central training fund	4 325 265	4 041 403
Discount on early payment	23 908 488	22 727 491
Electricity	45 631 036	38 694 958
Fuel and oil	11 591 952	8 591 645
FMG Interns	817 670	748 627
Hire of labour	1 119 963	1 410 436
Indigent subsidy	113 825	7 691 312
Insurance	3 885 017	3 964 160
Job cleaning project	4 408 511	6 432 438
Laboratory	433 917	422 172
Legal Fees	1 435 067	1 492 362
Membership and subscription fees	4 117 257	3 721 462
Postage and courier	2 041 338	1 844 268
Printing & Stationery	5 412 723	4 452 511
Proffesional fees	24 415 701	24 037 622
Projects	34 977 333	39 432 044
Projects EPWP	11 645 921	9 378 945
Protective Clothing	1 466 733	1 325 087
Refuse	1 093 791	1 015 971
Sanitation	2 190 906	1 207 314
Sport	789 484	883 465
Stores	1 591 876	1 589 223
Sundries	1 454 450	265 690
Telephone and fax	4 381 704	4 818 307
Training	2 464 200	1 663 989
Uniforms	1 119 308	1 216 331
Water	10 175 615	13 180 143
Ward committee activities	3 538 383	4 289 940
Workman`s Compensation Insurance	1 232 843	1 180 054
Other general expenses	11 642 198	10 239 906
	247 655 949	**239 900 919**

The comparative figures for General Expenses have been restated to correct an error contained in the prior year Annual Financial Statements. Refer to Note 46 on Correction of Errors for details of the restatement.

The amounts disclosed above for Other General Expenses are in respect of cost incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

Accounting Policies

33. Employee related costs

Employee related costs - Salaries and wages	254 505 275	238 716 880
Employee related costs - Contribution for UIF and Medical Aids	32 793 504	30 716 950
Employee related costs - Contribution for pensions	53 421 094	36 431 243
Travel. Motor car, Accomodation,Subsistance & Other allowances	80 986 088	69 722 687
Housing benefits and allowances	1 670 598	1 927 862
Overtime payments	21 432 799	18 531 615
Long-service awards	9 104 637	8 411 324
Defined Benefit Plan: Actuarial (gains)/losses recognised	(8 364 179)	8 571 270
Defined Benefit Plan: Current Service Cost	11 993 311	11 584 079
Defined Benefit Plan: Interest Cost	18 039 771	13 791 754
	475 582 898	**438 405 664**

The municipality has implemented task grading system as a system of remuneration for all employees. However, as at 30 June 2014, the salary scales of Executive Directors were not finalised as yet as well as the implementation of task outcomes on fixed term contracts. Management is certain that this will result in a cash outflow which is unknown at the time of submitting the financials

Remuneration of Municipal Manager

Annual Remuneration	1 385 790	1 180 159
Car Allowance	150 000	193 264
Contributions to UIF, Medical and Pension Funds	272 013	272 272
	1 807 803	**1 645 695**

Remuneration of the Chief Financial Officer

Annual Remuneration	679 838	635 207
Car Allowance	245 820	245 820
Contributions to UIF, Medical and Pension Funds	150 782	139 758
	1 076 440	**1 020 785**

Remuneration of the Director: Corporate Services

Annual Remuneration	680 126	586 986
Car Allowance	243 645	243 645
Contributions to UIF, Medical and Pension Funds	137 390	127 623
	1 061 161	**958 254**

Remuneration of the Director: Community Services

Annual Remuneration	680 126	635 278
Car Allowance	243 645	243 645
Contributions to UIF, Medical and Pension Funds	129 656	122 129
	1 053 427	**1 001 052**

Remuneration of the Director: Technical Services

Annual Remuneration	628 272	586 278
Car Allowance	243 645	243 645
Contributions to UIF, Medical and Pension Funds	137 389	127 622
	1 009 306	**957 545**

Remuneration of the Director: Strategy, Economic Development and Planning

Accounting Policies

33. Employee related costs (continued)

Annual Remuneration	680 126	538 190
Car Allowance	243 645	223 342
Contributions to UIF, Medical and Pension Funds	151 085	117 344
	1 074 856	**878 876**

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June.

Staff Leave Benefits: -

Municipal Manager	53 154	88 840
Chief Financial Officer	54 553	-
Director: Strategy, Economic Development and Planning	34 096	22 339
Director: Technical Services	69 947	47 917
	211 750	**159 096**

34. Remuneration of councillors

Executive Mayor	755 282	708 845
Speaker	588 447	565 553
Councillors	10 770 062	10 018 389
Contribution to UIF,Medical and Pension FUnds and other allowances	6 345 090	5 950 020
	18 458 881	**17 242 807**

In-kind benefits

The Councillors occupying the positions of Executive Mayor, Speaker and Mayorial Committee serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.Council owned vehicles are made available for official duties.

35. Investment revenue

Investment revenue		
Interest recieved - debtors	56 744 324	32 108 158
Interest revenue		
Interest received - investments	21 412 753	15 239 833
	56 744 324	32 108 158
	21 412 753	15 239 833
	78 157 077	**47 347 991**

Interest Earned on Financial Assets, analysed by category of asset, is as follows:
- Available for sale financial assets R21,412,753 (2013: R15,239,833)
- Loans and Receivables R56,744,324 (2013: R32,108,158)

36. Depreciation and amortisation

Property, plant and equipment	40 041 002	33 105 527
Intangible assets	1 716 772	2 415 364
Investment property	230 514	230 514
	41 988 288	**35 751 405**

Accounting Policies

37. Trade receivables from exchange transactions

Arrangements - Exchange Transactions	2014	2013	Movement
Arrangements	707 754	3 635 319	1 711 243
	707 754	**3 635 319**	**1 711 243**
			-
Arrangemetns - Non Exchange Transactions			**1 711 243**

Arrangements - Exhange Transactions	2014	2013	Movement
Arrangements	128 470	484 012	67 436
	128 470	**484 012**	**67 436**
			-
			67 436

Management of the municipality is of the opinion that the carrying value of trade receivables from non-exchange transactions approximate their fair value.

The average credit period for Government Grants and Subsidies is dependent on the Government Department involved and the nature of the claim. No interest is charged on outstanding Government Grants and Subsidies. The subsidies is payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.hg

38. Impairment losses

Impairments		
Impairment - Consumer Debtor	122 760 085	110 818 712
Impairment - Traffic Fines	4 050 170	10 858 947
	126 810 255	**121 677 659**
	126 810 255	121 677 659
	-	-

39. Finance costs

Loans and Payables at amortised cost	28 004 574	24 077 991
Finance leases	51 772	615 761
	28 056 346	**24 693 752**

40. Auditors' remuneration

Fees	4 374 711	3 293 316

41. Rental of facilities and equipment

Premises		
Premises	8 560 928	7 522 643
Venue hire	3 240 736	2 897 856
	11 801 664	**10 420 499**
Garages and parking		
Garage and parking	30 838	29 625

Accounting Policies

41. Rental of facilities and equipment (continued)

Facilities and equipment		
Rental of equipment	5 962 971	3 803 162
Premises	11 801 664	10 420 499
Garages and parking	30 838	29 625
Facilities and equipment	5 962 971	3 803 162
	17 795 473	**14 253 286**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

42. Bulk purchases

Electricity	314 781 010	302 662 325
Water	66 223 917	44 413 730
	381 004 927	**347 076 055**

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to consumers. Electricity is purchased from Escom whilst Water is purchased from Department Water Affairs and Forestry.

43. Cash generated from operations

Surplus	258 125 767	267 767 206
Adjustments for:		
Depreciation and amortisation	41 988 288	35 751 405
Contribution to impairment - fines	4 050 170	10 858 947
Bad debts written off	(15 429 796)	(5 904 806)
Bad debts written off	596 309	-
Contribution to impairment	133 000 000	132 858 947
Movements in retirement benefit assets and liabilities	10 857 682	27 386 419
Movements in provisions	6 340 123	5 681 614
Changes in working capital:		
Inventories	(4 126 456)	1 976 452
Trade receivables from non-exchange transactions	(177 605 173)	(181 460 766)
Trade receivables from exchange transactions	(81 959 060)	(53 890 248)
Non Current Held for Sale	950 003	(826 422)
Payables from exchange transactions	24 699 015	24 030 723
VAT	(941 029)	(4 027 563)
Unspent conditional grants and receipts	(32 512 035)	27 885 848
Consumer deposits	1 366 565	1 219 184
Vat payable	4 379 584	4 025 824
Movement in operating lease and accruals	(957)	6 903
Adjusting non cash flow items prior year errors	1 364 107	8 947 932
	175 143 107	**302 287 599**

Accounting Policies

44. Commitments

Capital commitments

.

• Infrastructure	103 875 178	156 421 125

Approved but Not Yet Contracted for:		
• Infrastructure	131 178 438	291 044 000
• Community	22 105 384	37 322 000
• Other	52 119 000	39 000 000
	205 402 822	**367 366 000**

This expenditure will be financed from:		
• External Loans	-	54 100 000
• Government Grants	237 080 000	334 426 348
• Other transfers and grants	-	1 763 840
• Own resources	72 198 000	133 496 937
	309 278 000	**523 787 125**

45. Contingencies

Contingent assets

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

46. Decommissioning, restoration and environmental rehabilitation funds

The municipality is not a contributor to any fund of such nature.

Accounting Policies

47. Related parties

47.1 Services rendered to related parties.

For the year ended June 2014	Rates Charges	Service Charges	Sundry Charges	Outstanding Balances	
Councilors	100 048	402 280	-	49 041	-
Municipal Manager and Section 57 Personnel	81 481	183 591	-	26 114	-
	181 529	585 871	-	75 155	-

For the year ended June 2013	Rates Charges	Services Charges	Sundry Charges	Outstanding Balances
Councilors	120 403	501 177	-	232 849
Municipal Manager and Section 57 Personnel	81 055	1 614 387	-	1 061
	201 458	2 115 564	-	233 910

Total Services:

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councilors,the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respects of the amounts owed by related parties.

47.2 Loans granted to Related Parties:

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 8 to the Annual Financial Statements.

47.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 28 and 29 respectively, to the Annual Financial Statements.

47.4 Purchases from Related Parties

The purchase transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Column heading
NB Mechanical sales	S Barnes		Nursing Sister	4 198 946	-
Naledi Chemicals	De Haas		Prov. Education	204 105	-
S & R Enterprises	S Barnes		Nursing Sister	3 378 442	-
				-	-
Qongo TG Trading	Mother		Nursing Sister	898 966	-
Meago Services /ASAP 1179CC	LS Paulse		Librarion	724 121	-

Accounting Policies

47. Related parties (continued)

Moedi Consulting Engineers	C Abrams	Dr Kenneth Kaunds Dist Municipality	6 735 052	-
JS Medical & Surgical Suppliers	H Williams	Kimberley Hospital	118 692	-
MCD painters	Miss McDonalds		87 759	-
			16 346 083	-

48. Prior period errors

Corrections were made and appropriated to the Accumulated Surplus Account during the financial year ended 30 June 2014.

Details of the appropriations are as follows:

Unappropriated Surplus Account Corrections as at 30 June 2012:

Correction of Debtors	-
Correction to Expenditure	(4 782 540)
Correction to Depreciation on Property, Plant and Equipment	12 165 542
Corrections to Income	237 236
Corrections to Property, Plant and Equipment	42 187 869
Increase/(Decrease) In Unappropriated Surplus Account	**49 808 107**

48.1 Restatement of Revenue
The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality

Accounting Policies

. Prior period errors (continued)

The effect of the Correction of Error is as follows:	2013 Revenue	2013 Correction	Restated Amount
		-	
Other income	34 581 000	1 017 570	35 598 570
Interest Earned - External Investments	15 173 351	66 482	15 239 833
	54 406 422	11 942 999	66 349 421

48.2 Restatement of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of the Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	2013 Revenue	2013 Correction	Restated Amount
Employee Related Costs	435 428 320	2 977 342	438 405 662
Depreciation and Amortisation	42 291 492	(6 540 087)	35 751 405
	-	-	-
	-	-	-
Impairment Losses	240 062 421	(161 495)	239 900 926
Finance Costs	110 818 711	10 858 947	121 677 658
	-	-	-
	828 600 944	7 134 707	835 735 651

48.3 Restatement of Statement of Financial Position

The prior year balances of items on the Statement of Financial Position have been restated to correctly classify the nature of the balances.

The effect of the Correction of Error is as follows:

	Fin Position 2013	Correction 2013	Restated Amount
Accumulated Surplus	1 375 663 021	54 616 399	1 430 279 420
Creditors	138 110 222	7 602 843	145 713 065
Property, Plant and Equipment	1 062 820 144	42 561 785	1 105 381 929
Intangible Assets	2 606 911	-	2 606 911
Investment Property	183 654 528	18 331 714	201 986 242
Trade Receivables from Non-Exchange Transactions	212 402 337	841 732	213 244 069
	2 975 257 163	**123 954 473**	**3 099 211 636**

Accounting Policies

. **Prior period errors (continued)**
48.4 Restatement of Current Liabilities

Included in the prior year's restated creditors' balance is an amount of R8,042,533 in respect of the backpay refunds to employees created retrospectively.

The effect of the Correction of Error is as follows:	**Creditors**	**Current liabilities**	**Total**
Balance as per AFS previously published for 2012/2013	**138 110 222**	**20 254 747**	**158 364 969**
Restatement of Current Liabilities	-	(5 996 168)	(5 996 168)
Balances as per current AFS published for 2011/2012	**138 110 222**	**14 258 579**	**152 368 801**

48.5 Restatement of Non-Current Assets
The Municipality unbundled its Asset Register during a prior financial year. Certain errors (duplications and omitments) were discovered on the Asset Register during the current financial year. As a result, Property, Plant and Equipment (refer to note 9), Investment Property (refer to note 11) and Intangible Assets (refer note 10) have been restated to reflect these changes, while the adjustment to Accumulated Surplus is as indicated.

The effect of the Correction of Error is as follows:	**Investment Property (IP)**	**Property, Plant and Equipment**	**Intangible Assets (IA)**
Balances as per AFS previously published for 2012/2013	**183 654 528**	**1 062 820 144**	**2 606 911**
Restatement of non-current assets	(183 170 516)	42 561 785	-
Balances as per current AFS published for 2012/2013	**484 012**	**1 105 381 929**	**2 606 911**

48.6 Restatement of Depreciation
The details of the correction of errors relating to depreciation can be found above in the 'Restatement of Current Assets' for the nature of these errors. Refer to the Change in Accounting policy for the restatement of heritage assets.

The effect of the Correction of Error is as follows:	**Depreciation on IP**	**Depreciation on PPE**	**Depreciation on IA**
Balances as per AFS previously published for 2011/2012	**527 634**	**458 055 960**	**9 400 076**
Restatement of Depreciation	(451 120)	(19 156 749)	-
Balances as per current AFS published for 2011/2012	**76 514**	**438 899 211**	**9 400 076**

48.7 Adjustment of Revenue
The prior year balance for Interest Earned - Investments has been restated. The restatement has the effect that income was increased by R66,482.
Included in the restated prior year figures for Other Income (refer to Note 28) is various unknown deposits which has now been classified as revenue.
Included in the restated prior year figures for Fines is the implemtation of IGRAP of traffic fines incomeAdditional text

The effect of the Correction of Error is as follows:	**Other Income**	**Interest Earned - Outstanding Debtors**
Revenue as per AFS previously published for 2012/2013	**34 581 000**	**66 482**
Adjustment of prior period revenue	1 017 570	-
Revenue as per AFS currently disclosed for 2012/2013	**35 598 570**	**66 482**

Accounting Policies

. **Prior period errors (continued)**

48.8 Adjustment of Expenses

The prior year figure for Employee Related Costs has been restated due to back-pay paid accrued (in relation to the previous financial years) for employees who received retrospective salary adjustments. As a result of the retrospective application of these salary adjustments, the Accumulated Surplus decreased by R2,977,342.
The prior year figures for General Expenses (Note 36) has been restated due errors that was corrected which were discovered during the current financial year in respect of bank costs (decrease in General Expenses) .
Included in the restated prior year figures for Fines is the implemtation of IGRAP of traffic fines income.
The prior year figure for Depreciation and Amotisationhas been restated due to corrections made to the Asset Register. This oversight has been rectified and the restated figure is reflected below.

The effect of the Correction of Error is as follows:	Employee Related Costs	Depreciation and Amortisation	General Expenses	Total
Expenses as per AFS previously published for 2012/2013	**435 428 320**	**42 291 492**	240 062 421	**717 782 233**
Adjustment of prior period expenses	2 977 342	(6 540 087)	(161 495)	(3 724 240)
Expenses as per AFS currently disclosed for 2012/2013	**438 405 662**	**35 751 405**	**239 900 926**	**714 057 993**

48.9 Restatement of Debtors

The opening balances of Debtors and Accumulated Surplus have been restated due to a provision included related to Internal Accounts for sanitation, Refuse removal, electricity consumption and water.

The opening balances of Debtors have been restated to correctly disclose the Kamfersdam Water project Loan that was transferred from own funding to Transnet, with the appropriate recognition as revenue.

The effect of the Correction of Error is as follows:	Trade receivables from Non-Exchange transactions	VAT receivables from Exchange Transaction	Total
Expenses as per AFS previously published for 2011/2012	**149 512 411**	**7 823 247**	**157 335 658**
Adjustment for prior period error	3 407 671	38 155	3 445 826
Expenses as per AFS currently disclosed for 2011/2012	**152 920 082**	**7 861 402**	**160 781 484**

***48.10 Restatement of Asset*s**

Included in the prior year's restated balance for Current Assets are restated balances for Trade Receivables from Non-Exchange Transactions, VAT receivable from Exchange Transactions, Property, Plant and Equipment, Intangible Assets, Investment Property and Heritage Assets. The effect on Accumalated Surplus and on Current Assets is reflected below.

The effect of the Correction of Error is as follows:	Current Assets	Non-Current Assets	Total Assets
Expenses as per AFS previously published for 2011/2012	**524 614 061**	**1 050 820 716**	**1 575 434 777**
Adjustment for prior period error	3 445 819	89 298 045	92 743 864
Expenses as per AFS currently disclosed for 2011/2012	**528 059 880**	**1 140 118 761**	**1 668 178 641**

49. Comparative figures

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 42).

50.. Events after the reporting date

None material adjusting events occure after the reporting date:

51. Unauthorised expenditure

The was no unauthorised expenditure for the financial period under review..

Accounting Policies

52.. Fruitless and wasteful expenditure

To management's best of knowledge instances of note indicating that Fruitless and Wasteful Expenditure was incurred during the year under review were not revealed.

Reconciliation of Fruitless and Wasteful Expenditure:		
Opening balance	998 938	1 138 303
Fruitless and Wasteful Expenditure current year	301 200	-
Condoned or written of by Council	(175 804)	(139 365)
Fruitless and Wasteful Expenditure awaiting condonement	**1 124 334**	**998 938**

Ex-gratia payments - 2014 R998,938 (2013 :R1,138,303) - Ex-gratia payments were made to officials who do not qualify for these payments.

Penalty fees in respect of SARS late payment - 2014 125,396 (2013:R0) .The cheque drawn was not accepted by SARS in terms of their policy, an EFT had to be arranged and therefore payment was late. Written of as per resolution

53.. Irregular expenditure

To management's best of knowledge instances of note indicating that Irregular Expenditure was incurred during the year under review were not revealed.

Reconciliation of Irregular Expenditure		
Opening balance	14 143 467	6 785 672
Irregular Expenditure current year	4 407 379	17 397 903
Irregular Expenditure awaiting condonement	(9 241 242)	(10 040 108)
	9 309 604	**14 143 467**

Overpayment of councillers- R542,299- Councillors were not remunerated in accordance with the upper limits as determined by the gazette issued in terms of the Renumeration of Public Office Bearers Act.

Supply Chain management procedures not adhered to R8,767,305 Various non-compliance with the supply chain management regulations occurred, such as tax clearance certificates not being obtained, three quotations not bing obtained, inaccuracies in the application of the point system, proper tender process not being implemented

The nature of all irregular expenditure have been disclosed ,the extent is still under investigation.

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54. In-kind donations and assistance

The municipality have not received any in-kind donations and assistance during the year under review.

55.. Comparison with the budget

The comparison of the municipality's actual financial performance with that budgeted, is set out in Appendices C, D, E (1), E (2) and E (3).

56. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year audit fee	4 374 711	3 293 316
Amount paid - current year	(4 374 711)	(3 293 316)
	-	-

PAYE and UIF

Current year payroll deductions	122 552 555	47 107 148
Amount paid - current year	(122 552 555)	(47 107 148)
	-	-

Pension and Medical Aid Deductions

Current year payroll deductions and council contributions	304 873 239	99 171 497
Amount paid - current year	(304 873 239)	(99 171 497)
	-	-

VAT

VAT receivable	12 830 004	11 888 975

VAT input receivables and VAT output receivables are shown in Note 9 and Note 22. All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 2013

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
RA Pitt	4 348	1 302	5 650
H Wyngaard	225	1 371	1 596
T Frans	13	517	530
SK Tsimakwane	1 708	730	2 438
	6 294	**3 920**	**10 214**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Total S57 Arrear Consumer Accounts	-	-	-
K Bogacwi	3 832	2 973	6 805
	3 832	**2 973**	**6 805**

Deviations from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

. Leases (Effects of transitional provisions) (continued)

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to the Council. Refer to appendix G.

Non-Compliance with Chapter 11 of the Municipality of the Municipal Finance Management Act

No matters existed at reporting date.

48. Assets subject to restrictions

Assets that have been recognised, but which are subject to restrictions, the amount of restriction are as follows:

49. Budget differences

Material differences between budget and actual amounts

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

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The annual financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements are consolidated statements that include all controlled entities, including government business enterprises for the fiscal period from to . The annual financial statements differ from the budget, which is approved on the cash basis and which deals only with the general government sector that excludes government business enterprises and certain other non-market government entities and activities.

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget. The amounts of these adjustments are identified in the following table.

Changes from the approved budget to the final budget

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

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

57. Bulk Electricity and Water Losses in terms of the MFMA Section 125(2)(d)(i)

Electricity		
In terms of section 125(2)(d)(i) of the Municipal Finance Management Act disclosure regarding water losses as a result of various factors are 16.36% (2013:16,58%) and is disclosed to the amount of:	51 510 868	50 192 676
In terms of section 125(2)(d)(i) of the Municipal Finance Management Act disclosure regarding electriciy losses as a result of various factors are 53,05% (2013:44,03%) and is disclosed to the amount of:	35 133 522	19 370 300
	86 644 390	**69 562 976**

58. Multi-Employer Retirement Benefit Information

All participating councillors belong to thr Pension Fund for Municipal Councillors.

Accounting Policies

. Multi-Employer Retirement Benefit Information (continued)

Employees belong to a variety of approved Pension and Provident Funds as described below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

The Municipal Councillors Fund and the Cape Retirement Fund are defined contribution plans, whereas the other funds are defined benefit plans. All of these afore-mentioned funds are multi-employer plans. 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 fun 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. Contributions amounting to R34,853,376, (2011: R32,157,708) have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

None of the below mentioned Funds are State Plans.

MUNICIPAL COUNCILLORS PENSION FUND:
The actuarial valuator of the Pension Fund for councillors stated that the fund is in a sound financial position as at 30 June 2014.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

CAPE JOINT PENSION FUND:
The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013 and has been valued by making use of the Market value approach.

The statutory valuation performed as at 30 June 2013 revealed that the financial condition of the fund improved with a funding level of 99.7% (30 June 2012: 99.4%). The current contribution rate translate into a shortfall of about R16.4 million per year.

CAPE JOINT RETIREMENT FUND:
The valuator stated that Cape Retirement Fund is in a sound financial condition as at 30 June 2013.

The Cape Retirement Fund operates as a defined contribution scheme. The last acturial valuation performed for the year ended 30 June 2013 revealed that the fund has a funding level of 100.2% (2012: 99.9%) for the Share Account and 100% (2012: 108%) for the Pension Account. The contribution rate paid by the members (9%) and the municipalities (18%) is sufficient to fund the benefits from the fund in the future.

SOUTH AFRICAN LOCAL AUTHORITIES PENSION FUND:
At the valuation date of 1 July 2012 the SALA pension fund was 100% (1 July 2011: 98%) funded. The valuator indicated that funding level improved to 100% funded at the valuation date. The valuator recommended that the employers continue to contribute at the current rate.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND:
The SAMWUN Provident Fund operates as a defined contribution fund. At the last valuation date of 30 June 2008 the Fund was 100% funded. The valuator recommended that to retain a sound financial position, the members and employer continue to contribute at the current rate.

Accounting Policies

. **Multi-Employer Retirement Benefit Information (continued)**

MUNICIPAL EMPLOYEES PENSION FUND:
At the valuation date of 29 February 2011 the Municipal Employees Pension Fund was 107.9% (29 February 2009: 102.2%) funded. The valutor stated that the fund was in a sound position as at 28 February 2011, having sufficient assets to cover its obligations.

NATIONAL FUND FOR MUNICIPAL WORKERS:
At the valuation date of 1 July 2008 the National FUnd for Municipal Workers was 99.83% (1 July 2007: 100.26%) funded. The valuator stated that he was satisfied that the fund will continue to be able to meet its liabilities.

Notes to the Annual Financial Statements

Financial Liabilities	2014	2013

59.. Financial Instruments
59.1 Classification

FINANCIAL ASSETS:
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

FINANCIAL ASSETS	CLASSIFICATION		
Trade receivables from exchange transactions			
Electricity	Amortised cost	38 938 511	28 169 377
Refuse	Amortised cost	16 401 852	15 212 913
Sewerage	Amortised cost	20 654 594	20 296 340
Water	Amortised cost	73 115 153	76 581 585
Miscellaneous	Amortised cost	104 776 156	66 900 063
Market	Amortised cost	273 835	145 987
Housing Debtors	Amortised cost	7 520 063	5 794 186
Trade receivables from non-exchange transactions			
Assessment Rates	Amortised cost	237 749 367	150 530 780
Government Subsidy Claims	Amortised cost	55 024 488	54 016 524
Miscellaneous Debtors	Amortised cost	6 802 499	9 180 777
Bank, Cash and Cash Equivalents			
Call Deposits	Amortised Cost	320 591 355	336 544 939
Cash Floats	Amortised Cost	15 470	15 470
Operating Lease Assets			
Operating Lease Assets / Receivables	Amortised Cost	92 070	91 113
VAT receivable			
VAT receivable	Amortised Cost	12 830 004	11 888 975
		894 785 417	775 369 029

SUMMARY OF FINANCIAL ASSETS			
Amortised cost:			
Trade receivables from exchange transactions	Assessment Rates	237 749 367	150 530 780
Trade receivables from exchange transactions	Electricity	38 938 511	28 169 377
Trade receivables from exchange transactions	Refuse	16 401 852	15 212 913
Trade receivables from exchange transactions	Sewerage	20 654 594	20 296 340
Trade receivables from exchange transactions	Water	73 115 153	76 581 585
Trade receivables from exchange transactions	Miscellaneous	104 776 156	66 900 063
Trade receivables from exchange transactions	Market	273 835	145 987
Trade receivables from exchange transactions	Housing Debtors	7 520 063	5 794 186
Trade receivables from non-exchange transactions	Government Subsidy Claims	55 024 488	54 016 524
Trade receivables from non-exchange transactions	Miscellaneous Debtors	6 802 499	9 180 777
Operating Lease Assets	Operating Lease Assets / Receivables	92 070	91 113
		11 902 109	7 861 402
Fair value:			
Bank Balances and Cash	Cash Floats and Advances	24 429 880	14 461 820
VAT Receivable	VAT Receivable	11 902 109	7 861 402
Short-term Investments Deposits	Call Deposits	320 591 355	336 544 939
		356 923 344	358 868 161
Total Financial Assets		560 370 023	572 327 984

Financial Liabilities	Classification		
Long-term Liabilities			
Annuity Loans	Amortised Cost	237 719 460	195 336 922
Finance Lease Obligations			
Finance Lease Obligations	Amortised cost	-	-
Consumer Deposits			
Electricity and Water	Amortised Cost	16 684 134	15 317 566
Payables from exchange transactions			

Notes to the Annual Financial Statements

Financial Liabilities		2014	2013
Trade Creditors	Amortised Cost	121 496 008	100 649 844
Other Creditors	Amortised Cost	53 127	53 127
Payment Received in Advance	Amortised Cost	12 733 710	14 122 811
Staff Bonuses	Amortised Cost	9 324 711	7 511 496
Accrued Leave	Amortised Cost	26 804 532	23 375 794
Unspent Conditional Grants and Receipts			
Conditional Grants from Government	Amortised Cost	2 593 813	35 105 848
Bank Overdraft			
Bank Overdraft	Amortised Cost	15 407 715	12 595 368
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised Cost	13 727 842	11 356 434
Finance Lease Obligations			
Finance Lease Obligations	Amortised Cost	8 644 116	8 898 313
		417 018 884	329 557 506
SUMMARY OF FINANCIAL LIABILITIES			
Amortised Cost:			
Finance lease obligation	Finance lease obligation	8 898 313	8 878 132
Current portion of long-term liabilities	Annuity loans	11 356 434	9 471 766
Long-term Liabilities	Annuity Loans	237 719 460	195 336 922
Consumer Deposits	Electricity and Water	16 684 134	15 317 566
Payables from exchange transactions	Trade Creditors	121 496 008	100 649 844
Payables from exchange transactions	Other Creditors	53 127	53 127
Unspent Conditional Grants and Receipts	Conditional Grants from Government	2 593 813	35 105 848
Payables from exchange transactions	Payments received in Advance	12 733 710	14 122 811
Payables from exchange transactions	Staff Bonuses	9 324 711	7 511 496
Payables from exchange transactions	Accrued Leave	26 804 532	23 375 794
Finance Lease obligation	Current portion	-	89 918
		447 664 242	409 823 306
Fair value:			
Bank overdraft	Bank overdraft	15 407 715	12 595 368
Total Financial Liabilities		463 071 957	422 418 674

Notes to the Annual Financial Statements

Financial Liabilities	2014	2013

49.1**Capital Risk Management**

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 2 and the Statement of Changes in Net Assets.

	2014	2013
Gearing Ratio		
Debt	(15 407 715)	(12 595 368)
Bank, Cash and Cash Equivalents	320 606 825	336 560 409
Net Debt	305 199 110	323 965 041
Equity	1 688 405 188	540 574 058
Net Debt to Equity Ratio	18,08	59,93

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 4.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

49.2 **Financial Risk Management Objectives**

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these financial statements.

Notes to the Annual Financial Statements

49.3 Significant Accounting Policies

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the returns.

Credit Risk

Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 47.7 to the annual financial statements.

49.4 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

Notes to the Annual Financial Statements

49.4.1 **Interest Rate Risk Management**

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, trade receivables, cash and cash equivalents, and loan payables. The Entity is not exposed to interest rate risk on these financial instruments, as the rates applicable are fixed interest rates, except for one loan payable of R4,19 million. The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months are made.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

Interest Rate Risk Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the Statement of Financial Position. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which representsi management's assessment of the reasonably possible change in interest rates.

Effect of a change in interest rate on interest bearing financial assets and liabilities:

FInancial Assets	Classification	2014	2013
External Investments:			
Call Deposits	Financial Instrument at Fair value	320 591 355	336 544 939
Bank Balances	Financial Instrument at Fair value	15 470	15 470
		323 025 047	338 932 145
Interest Received:			
Interest Earned - External Investments		21 412 753	15 239 833
Interest Rate (%)		6,63	4,50

Effect of a change in interest rate on interest earned from external investments:

		2014	2013
Effect of change in interest rate	%	5,63	3,50
Effect of change in interest rate	Rand Value	18 186 310	11 862 625
Effect of change in interest rate	%	7,63	5,50
Effect of change in interest rate	Rand Value	24 646 811	18 641 268

Notes to the Annual Financial Statements

Financial Liabilities		2014	2013
Outstanding Debtors:			
Staff Debtors	Amortised cost	-	-
Consumer Debtors	Amortised cost	261 680 164	213 100 451
Other Debtors	Amortised cost	299 576 354	213 728 081
Operating Lease Asset	Amortised cost	92 070	91 113
VAT receivable	Fair value	12 830 004	11 888 975
		574 178 592	438 808 620
Interest Received:			
Interest Earned - Outstanding Debtors		56 744 324	32 108 158
Interest Rate (%)		9,88	7,32
Effect of a change in interest rate on interest earned from oustanding debtors:			
Effect of change in interest rate	%	8,88	6,32
Effect of change in interest rate	Rand Value	50 987 059	27 732 705
Effect of change in interest rate	%	10,88	8,32
Effect of change in interest rate	Rand Value	62 470 631	36 508 877
FInancial Liabilities	**Classification**		
Long-term Liabilities:			
Annuity Loans	Amortised cost	237 719 460	195 336 922
Operating Lease Liability	Amortised cost	-	-
		13 727 842	11 356 434
Interest Paid:			
Long-term Liabilities		28 004 574	24 077 991
Interest Rate (%)		204,00	212,02
Effect of a change in interest rate on interest paid on long-term liabilities:			
Effect of change in interest rate	%	203,00	211,02
Effect of change in interest rate	Rand Value	27 867 519	23 964 347
Effect of change in interest rate	%	205,00	213,02
Effect of change in interest rate	Rand Value	28 142 076	24 191 476

Notes to the Annual Financial Statements

Financial Liabilities		2014	2013
Bank Overdrafts and Creditors:			
Trade Creditors	Amortised cost	170 412 088	145 713 072
VAT payable from exchange transactions	Amortised cost	2 593 813	35 105 851
Annuity Loans	Amortised cost	13 727 842	11 356 434
Bank Overdraft	Amortised Cost	15 407 715	12 595 368
Consumer Deposits	Amortised cost	16 684 134	15 317 566
		205 097 750	208 731 857
Interest Paid:			
Bank Overdrafts and Creditors		25 074 772	14 697 358
Interest Rate (%)		12,23	7,04
"Effect of a change in interest rate on interest paid on long-term liabilities:"			
Effect of change in interest rate	%	11,23	6,04
Effect of change in interest rate	Rand Value	23 032 477	12 607 404
Effect of change in interest rate	%	13,23	8,04
Effect of change in interest rate	Rand Value	27 134 432	16 782 041

49.4.2 Foreign Currency Risk Management

The municipality’s activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

49.5 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality’s exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments / Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions. The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with it's investment policy. Consequently, the Entity does not consider there to be any significant exposure to credit risk.

Trade and Other Receivables

Trade and other receivables are amounts owing by consumers, and are presented net of impairment losses. The Municipality has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness. Subsequently, the Municipality has no control over the approval of new customers who acquire properties in the designated metro area and consequently incur rates, water and electricity debts.

Notes to the Annual Financial Statements

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:
- through the application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- a new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- through the requirement of a deposit for new service connections, serving as guarantee
- through encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality’s maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists.

Counterparty and Location:	**2014 R**
1 Call Investment Deposits	320,591,355
2.Department of Public Works	121,949,259
3.Griekwaland West Rugby Union	5,422,917
4.Department of Roads	4,680,925
5.Escom MM	4,824,651
6.De Beers Consolidated Mines	4,349,246

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality’s maximum exposure to credit risk without taking account of the value of any collateral obtained:

	2014 R	**2013 R**
The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Call Investment Deposits	51 207 808	16 707 808
Finance Lease Receivables	1 197 776	1 060 492
Consumer Debtors	151 254 634	166 464 633
Other Debtors	119 746 393	71 150 445
Bank, Cash and Cash Equivalents	30 927	30 927
Operating Lease Assets	84 051	82 741
Housing Guarantees	230 600	354 120
Other	-	-
	323 752 189	255 851 166

	2014 %	2013 %
The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:		
Consumer Debtors:		
Household	472 319 855	367 369 533
Industrial / Commercial	14 917 520	11 606 131
National and Provincial Government	7 227 573	4 172 528
Other Consumer Debtors	751 602	734 722
Other Debtors	149 512 411	122 096 526
	-	-
	644 728 961	505 979 440

49.6 **Liquidity Risk Management**

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality’s short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 47 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. A credit line overdraft facility of R0 million is available and is unsecured. Interest payable is linked to the prime interest rate.

The following tables detail the municipality’s remaining contractual maturity for its non-derivative financial liabilitiesThe tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Average effective interest rate	Total	6 months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
30 June 2014	%	R	R	R	R	R	R
Non-interest Bearing							
- Short-term Investment Deposits	-	320 591 355	318 173 133	2 418 222	-	-	-
- Bank Balances and Cash	-	15 470	15 470	-	-	-	-
- Housing gurantees	-	13 994	-	-	-	-	13 994
	-	-	-	-	-	-	-
Fixed Interest Rate Instruments							
- Loan No 10112: DBSA	10,00	2 868 618	-	2 868 618	-	-	-
- Loan No 10113: DBSA	12,00	4 456 966	-	-	4 456 966	-	-
- Loan No 10616: DBSA	12,00	2 317 798	-	-	-	2 317 798	-
- Loan No 101452: DBSA	10,91	8 001 780	-	-	-	-	8 001 780
- Loan No 102855/1: DBSA	12,61	16 477 306	-	-	-	-	16 477 306
- Loan No 102855/2: DBSA	13,12	1 993 713	-	-	1 993 713	-	-
- Loan No 102855/3: DBSA	6,75	3 556 423	-	-	-	-	3 556 423
- Loan No 102855/4: DBSA	6,75	1 466 847	-	-	1 466 847	-	-
- Loan No 103958/2: DBSA	11,25	210 307 852	-	-	-	-	210 307 852
	-	-	-	-	-	-	-
Total		572 068 122	318 188 603	5 286 840	7 917 526	2 317 798	238 357 355

Notes to the Annual Financial Statements

Description	Average effective interest rate	Total	6 months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
30 June 2013	%	R	R	R	R	R	R
Non-interest Bearing							
- Short-term Investment Deposits	-	336 544 939	334 173 203	2 371 736	-	-	-
- Bank Balances and Cash	-	15 470	15 470	-	-	-	-
- Housing gurantees	-	13 994	-	-	-	-	13 994
	-	-	-	-	-	-	-
Fixed Interest Rate Instruments							
- Loan No 10112: DBSA	10,00	5 470 138	-	-	5 470 138	-	-
- Loan No 10113: DBSA	12,00	6 324 640	-	-	-	6 324 640	-
- Loan No 10616: DBSA	12,00	2 927 107	-	-	-	2 927 107	-
- Loan No 101452: DBSA	10,91	9 018 316	-	-	-	-	9 018 316
- Loan No 102855/1: DBSA	12,61	16 866 276	-	-	-	-	16 866 276
- Loan No 102855/2: DBSA	13,12	3 126 541	-	-	-	3 126 541	-
- Loan No 102855/3: DBSA	6,75	3 816 447	-	-	-	-	3 816 447
- Loan No 102855/4: DBSA	6,75	2 366 615	-	-	-	2 366 615	-
- Loan No 103958/2: DBSA	12,45	156 777 275	-	-	-	-	56 777 275
	-	-	-	-	-	-	-
Total		543 267 758	334 188 673	2 371 736	5 470 138	14 744 903	86 492 308

APPENDIX A

SOL PLAATJE LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

EXTERNAL LOANS	Loan Number	Redeemable Date	Balance at 30/06/13	Received during the period	Redeemed written off during the period	Balance at 30/06/14	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
			R	R	R	R	R	R
LONG TERM LIABILITIES								
ANNUITY LOANS							240,573,412	
DBSA Loan @ 10%	10112	30-06-2015	5,470,138		2,601,519	2,868,618		
DBSA Loan @ 12%	10113	30-06-2016	6,324,640		1,867,674	4,456,966		
DBSA Loan @ 12%	10616	30-06-2017	2,927,107		609,309	2,317,798		
DBSA Loan @ 10.91%	101452	31-12-2019	9,018,316		1,016,536	8,001,780		
DBSA Loan @ 12.61%	102855/1	31-12-2028	16,866,276		388,970	16,477,306		
DBSA Loan @ 13.12%	102855/2	31-12-2015	3,126,541		1,132,827	1,993,713		
DBSA Loan @ 6.75%	102855/3	31-12-2023	3,816,447		260,024	3,556,423		
DBSA Loan @ 6.75%	102855/4	31-12-2015	2,366,615		899,768	1,466,847		
DBSA Loan @ 12.445%	103958/2	30-06-2031	156,777,275	64,803,069	11,272,493	210,307,851		
Sub total DBSA			**206,693,354**	**64,803,069**	**20,049,121**	**251,447,303**		
Total Annuity loans			**206,693,354**	**64,803,069**	**20,049,121**	**251,447,303**	**240,573,412**	**-**
LEASE LIABILITY								
Various Finance Leases			8,898,312		254,197	8,644,115	0	
TOTAL EXTERNAL LOANS			**215,591,667**	**64,803,069**	**20,303,318**	**260,091,418**	**240,573,412**	**-**

APPENDIX B

SOL PLAATJE LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2014

	Cost/Revaluation								Accumulated Depreciation				Carrying
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP) Opening Balance	Work in Progress (WIP) Commissioned	Work in Progress (WIP) Closing Balance	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value
Infrastructure													
Electricity	209,746,444		65,071,873		73,088,474		138,160,347	274,818,317	69,121,719	2,579,644		71,701,363	203,116,954
Roads	267,324,584		46,362,114		7,039,709		53,401,823	313,686,698	81,644,853	7,710,930		89,355,783	224,330,914
Sewerage	257,647,903		74,279,615	(46,463)	111,069,645	25,682,131	159,667,129	331,881,055	45,604,848	4,142,805	(40,280)	49,707,373	282,173,682
Street Lights	21,539,835				1,219,302		1,219,302	21,539,835	8,206,472	508,381		8,714,853	12,824,983
Storm Water	54,407,996		5,177,553		2,856,474		8,034,027	59,585,549	33,833,546	1,002,650		34,836,196	24,749,353
Landfill Site	29,518,533	2,119,902			0		-	31,638,435	6,025,602	1,957,744		7,983,346	23,655,089
Water	252,807,416		20,194,720		72,763,685		92,958,405	273,002,136	103,803,706	3,116,425		106,920,131	166,082,005
	1,092,992,712	**2,119,902**	**211,085,875**	**(46,463)**	**268,037,289**	**25,682,131**	**453,441,033**	**1,306,152,025**	**348,240,746**	**21,018,579**	**(40,280)**	**369,219,045**	**936,932,980**
Community Assets													
Community Buildings	249,492,425	394,512	10,758,374	(1,162,698)	2,526,057	3,083,431	10,201,000	259,482,612	29,567,625	7,384,869		36,952,495	222,530,118
Parks and Gardens	37,087,807				2,108,434		2,108,434	37,087,807	121,437			121,437	36,966,370
Recreational Facilities	43,986,256				2,011,236		2,011,236	43,986,256	4,949,902			4,949,902	39,036,353
	330,566,487	**394,512**	**10,758,374**	**(1,162,698)**	**6,645,727**	**3,083,431**	**14,320,670**	**340,556,675**	**34,638,964**	**7,384,869**	**-**	**42,023,834**	**298,532,841**
Heritage Assets													
Heritage Assets	6,801,944							6,801,944				0	6,801,944
	6,801,944	**-**	**-**	**-**	**-**	**-**	**-**	**6,801,944**	**-**	**-**	**-**	**-**	**6,801,944**
Leased Assets													
Various	5,549,239							5,549,239	5,465,924	83,314		5,549,239	0
	5,549,239	**-**	**-**	**-**	**-**	**-**	**-**	**5,549,239**	**5,465,924**	**83,314**	**-**	**5,549,239**	**-**
Other Assets													
Other Buildings	2,115,476	547,215						2,662,691	1,471,619	144,450		1,616,069	1,046,622
Emergency Equipment	19,321	0						19,321	872	44,364		45,236	-25,915
Furniture & Fittings	22,262,646	1,070,092		(297,765)				23,034,974	11,524,353	2,328,124	(1,622,660)	12,229,817	10,805,157
Kitchen Equipment	966,289	74,057						1,040,346	407,699	99,051		506,750	533,596
Laundry Equipment	106,739	0						106,739	24,648	7,111		31,759	74,980
Medical Equipment	266,135	0						266,135	116,153	30,598		146,751	119,384
Maintenance Equipment	1,092,071	445,608						1,537,679	530,623	89,311		619,934	917,746
Motor Vehicles	71,963,070	7,619,851		(1,520,121)	0		0	78,062,800	31,640,108	6,458,511		38,098,619	39,964,181
Office Equipment	9,129,490	3,956,669						13,086,159	4,642,664	2,313,255		6,955,919	6,130,240
Plant and Equipment	449,519							449,519	194,838	39,465		234,303	215,216
	108,370,758	**13,713,492**	**-**	**(1,817,885)**	**-**	**-**	**-**	**120,266,364**	**50,553,577**	**11,554,240**	**(1,622,660)**	**60,485,156**	**59,781,208**
Total	**1,544,281,140**	**16,227,906**	**221,844,249**	**(3,027,047)**	**274,683,016**	**28,765,562**	**467,761,703**	**1,779,326,247**	**438,899,211**	**40,041,003**	**(1,662,940)**	**477,277,274**	**1,302,048,973**

APPENDIX C
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
AS AT 30 JUNE 2014

Directorate	Cost								Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Work in Progress Additions	Disposals	Work in Progress (WIP)			Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
					Opening Balance	Commissioned	Closing Balance						
Executive and Council	605,696	996,609						1,602,306	158,055	24,500		182,555	1,419,751
Municipal General	1,468,669	1,030,042						2,498,712	431,525	75,820		507,345	1,991,367
Municipal Manager	1,842,822	54,528						1,897,350	607,188	8,720		615,908	1,281,442
Corporate Services	31,522,301	285,437						31,807,738	11,285,646	1,328,125	(1,622,660)	10,991,111	20,816,627
Community Services	183,963,932	1,217,326	5,509,303	(1,162,698)	6,645,727	3,083,431	9,071,599	189,527,862	52,651,414	7,384,869	-	60,036,283	129,491,579
Financial Services	11,168,760	3,192,154		(297,765)				14,063,149	5,046,342	1,685,206		6,731,548	7,331,601
Strategic and Economic Development	31,711,820	43,221	5,249,071				5,249,071	37,004,112	5,015,258	1,456,200		6,471,458	30,532,654
Infrastructure and Services	1,281,997,139	9,408,589	211,085,875	(1,566,583)	268,037,289	25,682,131	453,441,033	1,500,925,019	363,703,784	28,077,563	(40,280)	391,741,067	1,109,183,952
TOTAL	**1,544,281,139**	**16,227,906**	**221,844,249**	**(3,027,046)**	**274,683,016**	**28,765,562**	**467,761,703**	**1,779,326,248**	**438,899,212**	**40,041,003**	**(1,662,940)**	**477,277,275**	**1,302,048,973**

APPENDIX D
SOL PLAATJE LOCAL MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	2014 Original Budget R	2014 Adjustment R	2014 Final Budget R	2014 Variance Original vs Final Budget %	2014 Explanation of variances greater than 10% Orignal versus Final Budget	2014 Actual Income & Expenditure R	2014 Variance Actual vs Final Budget R	2014 Variance Actual vs Final Budget %	2014 Explanation of significant variances greater than 10% Actual versus Final Budget
Income per directorate									
Executive and Council	–	–	–			46,842	46,842	0%	No Income budgeted.
Municipal General	292,538,000	71,028,000	363,566,000	24%	Increase on grant funding for capital and interest received.	384,797,722	21,231,722	6%	
Municipal Manager	2,077,000	0	2,077,000	0%		1,434,031	(642,970)	-31%	Miscellaneous income not realising.
Corporate Services	6,942,000	1,623,000	8,565,000	23%	Grant rolled over from previous year.	7,274,947	(1,290,053)	-15%	Grant income not realising.
Community Services	28,443,000	260,000	28,703,000	1%	Decrease in grant libraries and increase in income from resorts.	27,597,700	(1,105,300)	-4%	
Financial Services	378,131,000	0	378,131,000	0%		379,123,872	992,872	0%	
Strategic and Economic Development	6,838,000	0	6,838,000	0%		5,235,847	(1,602,153)	-23%	Miscellaneous income not realising.
Infrastructure and Services	891,517,326	10,467,000	901,984,326	1%	Increase in projected refuse income and housing project funding and decrease in projected electricity income.	849,913,322	(52,071,004)	-6%	Housing project income and expenditure handled as a suspense account. Income not realising.
Total	**1,606,486,326**	**83,378,000**	**1,689,864,326**	**5%**		**1,655,424,283**	**(34,440,043)**	**-2%**	
Expenditure per directorate									
Executive and Council	36,702,000	1,300,000	38,002,000	4%	Increase on various of categories.	37,348,845	(653,155)	-2%	
Municipal General	297,631,000	-412,000	297,219,000	0%		221,438,547	(75,780,453)	-25%	Saving on expenditure and acturial gain.
Municipal Manager	15,441,000	0	15,441,000	0%		12,823,135	(2,617,865)	-17%	General expenditure not realising and vacancies.
Corporate Services	53,857,000	1,623,000	55,480,000	3%	Increase as a result of grant project rolled over.	49,306,086	(6,173,914)	-11%	General expenditure not realising and vacancies.
Community Services	147,501,000	1,870,000	149,371,000	1%	Increase on maintenance and resort expenditure.	148,304,713	(1,066,287)	-1%	
Financial Services	91,883,000	200,000	92,083,000	0%		84,720,629	(7,362,371)	-8%	Saving on vacancies not filled.
Strategic and Economic Development	34,093,000	700,000	34,793,000	2%	Increase on projects.Appointment of peace officers.	34,147,936	(645,064)	-2%	
Infrastructure and Services	818,495,912	63,387,000	881,882,912	8%	Increase on projects re housing, refuse , maintenance and bulk water.	812,256,661	(69,626,251)	-8%	Housing project income and expenditure handled as a suspense account.
Total	**1,495,603,912**	**68,668,000**	**1,564,271,912**	**5%**		**1,400,346,552**	**(163,925,360)**	**-10%**	**Due to the savings in general expenditure, finance costs and repairs and maintenance cost.**
Surplus/(Deficit)	**110,882,414**	**14,710,000**	**125,592,414**	**13%**	**Increase on grant funding for capital.**	**255,077,731**	**129,485,317**	**103%**	**Due to the savings in expenditure .**

APPENDIX E(1)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2014

	2014 Actual R	2014 Original Budget R	2014 Adjustment R	2014 Final Budget R	2014 Variance Original vs Final Budget %	2014 Explanation of variances greater than 10% Orignal versus Final Budget	2014 Variance Actual vs Final Budget R	2014 Variance Actual vs Final Budget %	2014 Explanation of significant variances greater than 10% Actual versus Final Budget
REVENUE									
Property Rates	368,225,172	367,940,837	-	367,940,837	0%		284,335	0%	
Service Charges	835,048,151	879,233,192	(29,000,000)	850,233,192	-3%		(15,185,041)	-2%	
Rental of Facilities and Equipment	17,795,473	15,720,790	145,000	15,865,790	1%		1,929,683	12%	
Interest Earned - External Investments	21,412,753	9,000,000	3,000,000	12,000,000	14%	Due to increase in investments.	9,412,753	78%	Due to increase in investments.
Interest Earned - Outstanding Debtors	56,744,324	32,000,000	16,000,000	48,000,000	28%	Due to increases in debtors and interest rate.	8,744,324	18%	Due to increases in debtors and interest rate.
Fines	11,553,669	7,633,800	-	7,633,800	0%		3,919,869	51%	Due to fines not realizing.
Licenses and Permits	2,708,266	3,259,000	-	3,259,000	0%		(550,734)	-17%	Decrease in transactions.
Income for Agency Services	4,339,326	3,650,000	-	3,650,000	0%		689,326	19%	Due to increase in transactions.
Government Grants and Subsidies	306,753,898	259,650,389	52,671,000	312,321,389	17%	Due to capital projects being rolled over.	(5,567,491)	-2%	
Public Contributions and Donations	720,724	-	-	0	0%		720,724	0%	Not budgeted
Other Income	36,945,396	28,398,318	40,562,000	68,960,318	110%	Due to adjusting housing project income.	(32,014,922)	-46%	Due to adjusting housing project income and expenditure
Gains on disposal of property, plant an	275,336			-	0%		275,336	0%	Not budgeted
Total Revenue	**1,662,522,488**	**1,606,486,326**	**83,378,000**	**1,689,864,326**	**5%**		**(27,341,838)**	**-2%**	
EXPENDITURE									
Employee Related Costs	475,582,898	490,534,358	7,800,000	498,334,358	2%		(22,751,460)	-5%	Due to gain on actuarial valuation.
Remuneration of Councillors	18,459,181	18,606,643	200,000	18,806,643	1%		(347,462)	-2%	
Impairment Losses	126,810,256	133,000,000	-	133,000,000	0%		(6,189,744)	-5%	Due to impairment of debtors
Collection Costs	998,426	1,100,000	-	1,100,000	0%		(101,574)	-9%	
Depreciation	41,988,288	49,150,000	-	49,150,000	0%		(7,161,712)	-15%	Due to work in progress not depreciated.
Repairs and Maintenance	64,276,113	83,299,979	1,360,000	84,659,979	2%	Projected expenditure and need for maintenance increased.	(20,383,866)	-24%	Due to savings after increase in adjustment budget.
Finance Costs	28,056,345	36,717,953	(4,000,000)	32,717,953	-14%	Due to savings (loan phased in over 3 years).	(4,661,608)	-14%	Due to savings as a result of phasing in loan.
Bulk Purchases	381,004,928	379,000,000	20,000,000	399,000,000	5%		(17,995,072)	-5%	Due to saving on eletricity bulk purchased.
Grants and Subsidies Paid	19,564,339	54,070,000	358,000	54,428,000	2%		(34,863,661)	-64%	Due to revision in policy and verification process of indigents.
General Expenses - Other	247,655,949	250,124,979	42,950,000	293,074,979	17%	Due to adjusting housing project expenditure.	(45,419,030)	-15%	Due to savings and adjusting housing project expenditure.
Total Expenditure	**1,404,396,722**	**1,495,603,912**	**68,668,000**	**1,564,271,912**	**5%**		**(159,875,190)**	**-10%**	Due to the savings in general expenditure, finance costs and repairs and maintenance cost.
NET SURPLUS FOR THE YEAR	**258,125,766**	**110,882,414**	**14,710,000**	**125,592,414**	**6%**		**132,533,352**	**106%**	Due to the savings in expenditure .

APPENDIX E(2)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2014

Directorate	2014 Actual Additions R	2014 Work in Progress Additions R	2014 Total Additions R	2014 Original Budget R	2014 Adjustment R	2014 Final Budget R	2014 Variance Original vs Final Budget %	2014 Explanation of variances greater than 10% Orignal versus Final Budget	2014 Variance Actual vs Final Budget R	2014 Variance Actual vs Final Budget %	2014 Explanation of significant variances greater than 10% Actual versus Final Budget
Executive and Council	996,609	-	996,609	-	-	-	0%		996,609	0%	Loose equipment contribution from Opex to Capital.
Municipal General	1,030,042	-	1,030,042	-	-	-	0%		1,030,042	0%	Loose equipment contribution from Opex to Capital.
Municipal Manager	54,528	-	54,528	-	-	-	0%		54,528	0%	Loose equipment contribution from Opex to Capital.
Corporate Services	285,437	-	285,437	-	-	-	0%		285,437	0%	Loose equipment contribution from Opex to Capital.
Community Services	1,217,326	5,509,303	6,726,629	11,722,000	(6,500,000)	5,222,000	-55%	Project to be completed in multi years	1,504,629	29%	Loose equipment contribution from Opex to Capital.
Financial Services	3,192,154	-	3,192,154	1,000,000	2,850,000	3,850,000	285%	New project added.	(657,846)	-17%	Saving on project.
Strategic and Economic Development	43,221	5,249,071	5,292,292	9,000,000	2,725,000	11,725,000	30%	Project rolled over from previuos year.	(6,432,708)	-55%	Projects not completed
Infrastructure and Services	9,408,589	211,085,875	220,494,463	217,145,000	59,571,000	276,716,000	27%	Add additional projects and rolled over projects.	(56,221,537)	-20%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget.
TOTAL	16,227,906	221,844,249	238,072,155	238,867,000	58,646,000	297,513,000	25%	Add additional projects and rolled over projects.	(59,440,846)	-20%	Non qualifying assets expenditure and VAT income on grants transferred to operational budget.

APPENDIX E(3)

SOL PLAATJE LOCAL MUNICIPALITY: ACTUAL VERSUS BUDGET (CASH FLOW) FOR THE YEAR ENDED 30 JUNE 2014

	2014 Actual R	2014 Original Budget R	2014 Adjustment R	2014 Final Budget R	2014 Variance Original vs Final Budget %	2014 Explanation of variances greater than 10% Orignal versus Final Budget	2014 Variance Actual vs Final Budget R	2014 Variance Actual vs Final Budget %	2014 Explanation of variances greater than 10% Actual versus Final Budget
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash receipts from Ratepayers, Government and Other	1,279,642,798	1,416,349,000	17,722,000	1,434,071,000	1%	Due to adjusting housing project income, grants and service charges.	(154,428,202)	-11%	Due to adjusting housing project income and income not realising.
Cash paid to Suppliers and Employees	1,154,728,893	1,225,236,000	35,589,000	1,260,825,000	3%	Due to adjusting housing project expenditure, bulk purchase of water and other expenditures.	(106,096,107)	-8%	Due to the savings in general expenditure, finance costs, repairs and maintenance cost, etc.
Cash generated from / (utilised in) Operations	**124,913,906**	**191,113,000**	**(17,867,000)**	**173,246,000**					
Interest received	78,157,078	16,040,000	28,577,000	44,617,000	64%	Due to increase in investments and interest on debtors	33,540,078	75%	Investment income increased above expectations.
Interest paid	(28,056,345)	(36,718,000)	4,000,000	(32,718,000)	-12%	Due to loan extended to 2013/14	4,661,655	-14%	Loan projects finalised in 2013/14.
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	**175,014,638**	**170,435,000**	**14,710,000**	**185,145,000**					
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchase of Property, Plant and Equipment	(238,072,155)	(238,867,000)	(58,646,000)	(297,513,000)	20%	Projects not completed before year end moved to 2013/14	59,440,845	-20%	Projects not completed before year end and Vat transfered to own income.
Purchase of Intangible Assets	(208,165)						(208,165)		Project re-categorised.
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES	**(238,280,320)**	**(238,867,000)**	**(58,646,000)**	**(297,513,000)**					
CASH FLOWS FROM FINANCING ACTIVITIES									
New Loans raised	64,803,069	54,100,000	-	54,100,000	0%		10,703,069	20%	Projects not completed before previous year end .
Loans repaid	(20,303,318)	(15,115,000)	-	(15,115,000)	0%		(5,188,318)	34%	Projects completed before year end.
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES	**44,499,751**	**38,985,000**	**-**	**38,985,000**					
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(18,765,931)**	**(29,447,000)**	**(43,936,000)**	**(73,383,000)**					
Cash and Cash Equivalents at the beginning of the year	323,965,041	245,000,000	-	245,000,000					
Cash and Cash Equivalents at the end of the year	305,199,110	215,553,000	(43,936,000)	171,617,000					

APPENDIX F
SOL PLAATJE LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

Grants and Subsidies received for the year ended 30 June 2014

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did the municipality comply with the grant conditions in terms of grant framework in the	Reason for non-compliance
		Total	Total	Total	Total		Yes / No	
Library Services	Provincial	1,281,000	1,281,000	-	1,281,000	None	Yes	None
Primary Health	Provincial	865,000	2,663,000	1,798,000	2,663,000	Partial Payment. Revenue accrued. Debtor increased to R3 654 000	Yes	None
EPWP	Provincial	6,618,000	6,618,000	-	6,618,000	None	Yes	None
Miscelanous	Public	1,525,497	1,525,497	-	N/A	None	Yes	None
Equitable Share	National	145,905,000	N/A	-	145,905,000	None	Yes	None
ACIP	National	5,000,000	5,000,000	-	N/A	None	Yes	None
Financial Management Grant	National	1,550,000	1,550,000	-	1,550,000	None	Yes	None
MIG	National	52,243,000	55,381,344	-	52,243,000	None	Yes	None
MSIG	National	890,000	890,000	-	890,000	None	Yes	None
INEP	National	20,000,000	32,913,560	-	20,000,000	None	Yes	None
ISDG (Skills)	National	3,000,000	3,031,653	-	3,000,000	None	Yes	None
Frances Baard Municipality	Municipality	6,083,921	6,083,921	-	N/A	None.	N/A	None
Coghsta	Provincial	10,905,226	15,165,385	-	N/A	None	Yes	None
GURP	Provincial	-	960,290	960,290	5,000,000	None. Revenue accrued of R960 290	Yes	None
RBIG	National	15,616,928	15,616,928	-	15,000,000	None	Yes	None
EDSM	National	-	4,948,321	-	5,000,000	None	Yes	None
NDPG	National	-	7,220,000	-	-	None	Yes	None
Total		271,483,572	160,848,898	2,758,290	259,150,000			

National and Provincial grants are spent in accordance with business plans approved by the various Government Departments.
The EPWP grant is a job creating grant to alleviate poverty and unemployment approved by Provincial Government.

APPENDIX G

SOL PLAATJE LOCAL MUNICIPALITY: DISCLOSURES OF DEVIATIONS FROM PROCUREMENT POLICY

FOR THE YEAR ENDED 30 JUNE 2014

DocNo.	Service Provider	Service Rendered / Product Purchased	Financial Implications	Line Manager	Motivation
1/2013/14	Sealing Solutions	Emergency Supply of Water Level Control Valve for Roodepan Pressure Tower	35,321	LJ Snyders	An Emergency
2/2013/14	E Molehane	Weekly refuse collection in Galeshewe	64,381	TJ Khweshiwe	Exceptional cases
3/2013/14	Lesedi Training Centre DBCM (PTY)LTD	Trade related training and testing as boiler makers	34,656	M Van Zyl	Sole Provider
4/2013/14	Mapatsi Trading	The official Launch of the Ritchie business development centre	190,380	M Mathebula	Exceptional cases
5/2013/14	Woodrow Engineering Sales	Homevale WWTW Electrical Switchgear Repairs	206,118	HF Harding	An Emergency/Exceptional
6/2013/14	Esri South Africa	Data Management and Training.	100,206	MM Stols	Exceptional cases/Sole
7/2013/14	Oranje Toyota Kimberley	The engine of traffic vehicle fleet no: O732 needs to be replaced and Orange Toyota is the Accredited Agent.	78,866	C.F.M Langford	Sole Provider
8/2013/14	Gariep Motors	Emergency Repair of Freightliner Fl80 Fire Engine.	37,171	R Janse v Vuuren	Sole Provider
9/2013/14	Barloworld	The transmission of waterworks TLB R803 needs to be repaired & installed, as Barloworld is the accredited agents.	128,403	P Gray	Sole Provider
10/2013/14	Aurecon	Phase 1 of the New Cemetery Development Project.	926,042	MGM Jele	Exceptional cases
11/2013/14	Mr. ME Molehane	Refuse Collection.	150,000	TJ Khweshiwe	Exceptional cases
12/2013/14	Molao Academy	Peace Officer Training	33,993	J Von Backstrom	Sole Provider
13/2013/14	Super Armatures	Supply of dresser roots urai 59 positive displacement blower	186,989	H Harding	An Emergency /Sole Provider
14/2013/14	Oranje Toyota Kimberley	Repair faults on vehicle (D611)	45,395	MW Pretorius	Sole Provider
15/2013/14	Oranje Toyota Kimberley	Repair gearbox and balance prop shaft	54,451	Peter Gray	Sole Provider
16/2013/14	New World Water & Sanitation (PTY)LTD	Supply & Install Toilets at different wards	6,976,000	David Leeuw	Exceptional cases
17/2013/14	Gariep Motors	Repair Gearbox	52,453	Peter Gray	Sole Provider
18/2013/14	Gariep Motors	Complete Engine Overhaul on F501 Rosenbauer Fire Tender	223,892	MW Pretorius	Sole Provider
19/2013/14	Bell Equipment	Repair Transmission	124,177	Peter Gray	Sole Provider
20/2013/14	Lesedi Training Centre, DBCM (PTY) LTD	Trade related training and testing for 4 Boiler Makers and remaining 1 Fitter and Turner	744,347	M Van Zyl	Sole Provider
21/2013/14	Kenalemang Developments	Marque Tent, Stage, Sound System and Chairs	117,500	T Mfeya	Exceptional cases
22/2013/14	Super Armature Winding Africa (PTY)LTD	Repair Riverton WTP Electrical Motor Ser # 151127-01	78,268	H F Harding	Sole Provider/Exceptional case
23/2013/14	Arpco Kontrakteurs	Cleaning sewage pump stations sump's and conducts survey on pump conditions.	228,228	H F Harding	Sole Provider/Exceptional case
24/2013/14	Take Note Trading 682 cc (R380 000)	In commemorating the life and death of the ex-President of the RSA, DR. Nelson Mandela, the office of the Executive Mayor and the Municipal Manager	565,248	ZL Mahloko	Exceptional cases
	Rainbow Transport Services (R12 300)				
	MJB Catering (R35 000)				
	Shine the Way 1302 cc (R35 000)				
	Siyavana Catering (R35 000)				
	Mapatsi Trading cc (R20 948)				
	Brand IQ (Estimate) (R40 000)				
	Mayibuye Cultural Center (Estimate) (R7 000)				
25/2013/14	Linsumi Investments	Marque Tent, Stage	83,000	T Mfeya	Exceptional cases
26/2013/14	Bell Equipment Company	Supply and Fit Cutting edges to Machine as per Quote	44,089	A Samson	Sole Provider
27/2013/14	Nethula Sales CC	Media Campaign and Publicity-Revenue Management and OPCAR	985,000	Adv. A Klopper	Exceptional cases
28/2013/14	Poloko Trading	Catering	37,500	V Kgokong	Exceptional cases
29/2013/14	Maverick Trading 1557 CC	Catering	112,500	V Kgokong	Exceptional cases
30/2013/14	Marang Enterprises	Marang was appointed to deliver 3000 t-shirts @R75 per T-shirt	225,000	V Kgokong	Exceptional cases
31/2013/14	Party Organizer cc	Party Organizer was appointed to supply tables and chairs and all the décor.	60,579	V Kgokong	Exceptional cases
32/2013/14	Poloko Trading Catering (R50 000)	Catering	291,050	V Kgokong	Exceptional cases
	Letlake Trading 525 (R88 050)				
	Maverick Trading 1557 cc (R150 000)				
	MJB Catering (R3 000)				
33/2013/14	Kopana Engineering	Upgrade the battery charger to communicate with cell phones.	142,568	NI Mooketsi	Exceptional cases
34/2013/14	Arpco Kontrakteurs	Cleaning sewage blockages, critical backlog	518,700	HF Harding	An Emergency/Exceptional
35/2013/14	Super Armature Winding Africa (PTY) LTD	Riverton WTP Electrical Motor Ser # C834 68301 Repairs.	57,282	HF Harding	Sole Provider
36/2013/14	Party Organizer CC	Catering, Décor, Tent and Sound	449,502	Mrs. T Riet	Exceptional cases
37/2013/14	Trek Scale Company (PTY)Limited	Repair of the Weighbridge	284,430	CFM Langford	Sole Provider
38/2013/14	AAM Geomatics	Aerial photography with 3- dimensional (oblique) imagery for the General Valuation 2015	974,700	Adv. A Klopper	Sole Provider
39/2013/14	CQS PTY LTD	Procurement of Case ware working papers	78,587	RF Booysen	Sole Provider
40/2013/14	Bell Equipment	Repair Electrical Defects	49,875	Tl Khweshiwe	Sole Provider
41/2013/14	Oranje Toyota	Recondition truck gearbox (transmission)	54,964	Ellias Molaolwa	Sole Provider
42/2013/14	Lecflo	Ritchie Submersible pump repair	68,902	HF Harding	An Emergency /Sole Provider
43/2013/14	Moedi Consulting Engineers	Meter Replacement Programme: Repair/Replacement of old and/or defective water meters in Sol Plaatje Municipal area	2,000,000	B Dhluwayo	Exceptional cases
44/2013/14	Moedi Consulting Engineers	Freedom Park Ritchie: Professional Engineering Services for Water and Sanitation services for 167 sites.	1,138,987	LJ Snyders	Exceptional cases
45/2013/14	Moedi Consulting Engineers	Zone Metring and Pressure Management: Professional Engineering Services	5,861,000	B Dhluwayo	Exceptional cases
46/2013/14	Moedi Consulting Engineers	Rurbishment / repairs to Kimberley bulk water supply system	4,010,000	HF Harding	Exceptional cases
47/2013/14	Metsi Chem International	Supply and delivery of 10x925 and 14x70kg chlorine at Riverton Purification Plant	198,204	S Coetzee	Exceptional cases
48/2013/14	Roburn Construction	Excavate & installation of 200m x 160mm sewer line in Khutsanong str	129,800	DH Leeuw	Exceptional cases
49/2013/14	Barloworld Equipment	Installation of Hydraulic Pump	69,181	P Gray	Sole Provider
50/2013/14	Saice Professional Development and Projects	In house road to registration training for unemployed graduates and supervisors	37,800	M Van Zyl	Sole Provider
51/2013/14	Outeniqua Leadership Institute	Training in terms of competency regulations	1,669,275	ZL Mahloko	Exceptional cases