Nala Local Municipality
Annual Financial Statements
for the year ended June 30, 2014

General Information

Nature of business and principal activities	Providing municipal services and maintaining the best interests of the local community mainly in the Nala area.
Legal form and legislation governing the operations	Municipality, governed by the Municipal Finance Management Act (Act No.56 of 2003)
Mayoral committee	
Executive Mayor	Mogoje T
Speaker	Hlathi MN
Councillors	Moses SS Lenake MR Mabeleng JM Thebehae TL Bopiko MH Tutubala MM Nieuwoudt PL Botma HJ Mokolutlo RJ Radebe PS Leburu PK Mamatela JP Moepi PA Moshane ZM Marumule MS Motsoeneng NM Maas V Dogeni MJ Mpesi MM Masisi D Mohloare TA Ramaele R
Accounting Officer	Mokomela BC
Chief Financial Officer (CFO)	Sandile Busakwe Appointed 01/11/2013
Grading of local authority	Category 4 Local Municipality Medium Capacity Municipality
Registered office	Municipal Offices 8 Preller Street Bothaville 9660
Postal address	Private Bag X15 Bothaville 9660
Bankers	First National Bank
External auditors	Auditor-General of South Africa

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 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 annual financial statements are prepared on the basis that the municipality is a going concern.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the finance department of the municiaplity in terms of preparation of the AFS and by internal audit in terms of review of internal financial controls.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 4 to 52, which have been prepared on the going concern basis, were approved by the accounting officer on August 29, 2014 and were signed on its behalf by:

Mokomela BC
Accounting Officer

Friday, August 29, 2014

Statement of Financial Position as at June 30, 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Inventories	9	2,036,707	1,350,968
Other receivables from exchange transactions	10	9,894,396	8,829,538
VAT receivable	17	-	3,329,460
Consumer debtors	11	48,928,923	45,777,125
Cash and cash equivalents	12	31,954,136	15,236,742
		92,814,162	**74,523,833**
Non-Current Assets			
Investment property	3	-	-
Property, plant and equipment	4	910,100,607	931,951,848
Intangible assets	5	55,523	48,342
Heritage assets	6	111,070	126,347
Other financial assets	7	118,176	115,835
		910,385,376	**932,242,372**
Total Assets		**1,003,199,538**	**1,006,766,205**
Liabilities			
Current Liabilities			
Other financial liabilities	14	48,506,710	42,000,636
Payables from exchange transactions	16	177,443,895	157,037,479
VAT payable	17	15,708,040	-
Consumer deposits	18	1,565,068	1,432,424
Unspent conditional grants and receipts	13	7,558,916	16,387,056
		250,782,629	**216,857,595**
Non-Current Liabilities			
Employee benefit obligation	8	41,373,000	40,178,000
Provisions	15	23,215,838	22,111,997
		64,588,838	**62,289,997**
Total Liabilities		**315,371,467**	**279,147,592**
Net Assets		**687,828,071**	**727,618,613**
Accumulated surplus		687,828,071	727,618,613

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Property rates	20	12,061,322	11,449,131
Service charges	21	129,753,226	134,451,390
Rental of facilities and equipment		51,056	69,835
Fines		70,130	49,632
Government grants and subsidies	22	195,998,746	203,144,621
Interest received	28	1,318,580	1,381,257
Dividends received	28	6,460	4,290
Interest received (trading)		10,536	-
Other income	23	12,080,376	2,865,585
Total revenue		**351,350,432**	**353,415,741**
Expenditure			
Employee related costs	25	(111,629,368)	(117,474,736)
Remuneration of councillors	26	(6,976,999)	(6,362,396)
Depreciation and amortisation	29	(82,385,111)	(81,045,044)
Impairment loss/ Reversal of impairments		-	(3,076,772)
Finance costs	30	(20,912,830)	(17,863,477)
Debt impairment	27	(32,216,556)	(56,336,832)
Repairs and maintenance		(4,634,626)	(2,757,851)
Bulk purchases	33	(86,285,433)	(74,413,977)
Contracted services	32	(17,354,917)	(24,715,348)
General Expenses	24	(26,979,225)	(25,742,010)
Total expenditure		**(389,375,065)**	**(409,788,443)**
Operating deficit		**(38,024,633)**	**(56,372,702)**
Loss on non-current assets held for sale or disposal groups		-	(243,418)
Deficit for the year		**(38,024,633)**	**(56,616,120)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance	800,466,684	800,466,684
Adjustments		
Prior year adjustments	4,647,071	4,647,071
Balance at July 1, 2012 as restated*	**805,113,755**	**805,113,755**
Changes in net assets		
Loss for the year	(56,616,120)	(56,616,120)
Prior year adjustments	(20,879,022)	(20,879,022)
Total changes	(77,495,142)	(77,495,142)
Balance at July 1, 2013	**727,618,613**	**727,618,613**
Changes in net assets		
Loss for the year	(38,024,633)	(38,024,633)
Directly against accumulated surplus	(1,765,909)	(1,765,909)
Total changes	(39,790,542)	(39,790,542)
Balance at June 30, 2014	**687,828,071**	**687,828,071**

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Sale of goods and services and other		144,168,708	154,789,577
Grants		193,698,000	203,144,621
Interest income		1,318,580	1,381,257
Dividends received		6,460	4,290
		339,191,748	359,319,745
Payments			
Employee costs		(115,127,110)	(110,138,406)
Suppliers and other		(132,412,376)	(217,728,513)
Finance costs		(20,912,830)	(17,863,477)
		(268,452,316)	(345,730,396)
Net cash flows from operating activities	34	**70,739,432**	**13,589,349**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(60,475,614)	(23,579,068)
Proceeds from sale of property, plant and equipment	4	-	243,418
Purchase of other intangible assets	5	(50,157)	(28,320)
Proceeds from sale of financial assets		(2,341)	-
Net cash flows from investing activities		**(60,528,112)**	**(23,363,970)**
Cash flows from financing activities			
Repayment of other financial liabilities		6,506,074	5,556,931
Movement on consumer deposits		-	(14,650)
Net cash flows from financing activities		**6,506,074**	**5,542,281**
Net increase/(decrease) in cash and cash equivalents		**16,717,394**	**(4,232,340)**
Cash and cash equivalents at the beginning of the year		15,236,742	19,469,082
Cash and cash equivalents at the end of the year	12	**31,954,136**	**15,236,742**

Nala Local Municipality
Annual Financial Statements for the year ended June 30, 2014

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	18,418,006	(5,790,497)	12,627,509	(566,187)		12,061,322	12,061,322		-	100 %	65 %
Service charges	192,526,998	(15,746,998)	176,780,000	(4,641,707)		172,138,293	129,753,226		(42,385,067)	75 %	67 %
Investment revenue	1,200,000	(1,200,000)	-	1,318,580		1,318,580	1,325,040		6,460	100 %	110 %
Transfers recognised - operational	135,210,000	-	135,210,000	(1,508,591)		133,701,409	134,196,250		494,841	100 %	99 %
Other own revenue	14,846,273	(9,306,279)	5,539,994	5,397,905		10,937,899	12,212,098		1,274,199	112 %	82 %
Total revenue (excluding capital transfers and contributions)	**362,201,277**	**(32,043,774)**	**330,157,503**	**-**		**330,157,503**	**289,547,936**		**(40,609,567)**	**88 %**	**80 %**
Employee costs	(100,433,771)	(2,146,229)	(102,580,000)	(9,372,059)	-	(111,952,059)	(111,629,368)	-	322,691	100 %	111 %
Remuneration of councillors	(7,496,576)	247,079	(7,249,497)	535,655	-	(6,713,842)	(6,976,999)	-	(263,157)	104 %	93 %
Debt impairment	(53,762,270)	(12,881,730)	(66,644,000)	33,500,828		(33,143,172)	(32,216,556)	-	926,616	97 %	60 %
Depreciation and asset impairment	(22,658,905)	(62,000,000)	(84,658,905)	(33,283)		(84,692,188)	(82,385,111)	-	2,307,077	97 %	364 %
Finance charges	(5,138,000)	-	(5,138,000)	(15,480,456)	-	(20,618,456)	(20,912,830)	-	(294,374)	101 %	407 %
Materials and bulk purchases	(99,022,000)	(5,000,000)	(104,022,000)	11,071,053	-	(92,950,947)	(90,920,059)	-	2,030,888	98 %	92 %
Transfers and grants	(16,501,112)	171,372	(16,329,740)	(1,355,877)	-	(17,685,617)	-	-	17,685,617	- %	- %
Other expenditure	(41,468,643)	(11,955,617)	(53,424,260)	(18,865,859)	-	(72,290,119)	(44,334,142)	-	27,955,977	61 %	107 %
Total expenditure	**(346,481,277)**	**(93,565,125)**	**(440,046,402)**	**2**	**-**	**(440,046,400)**	**(389,375,065)**	**-**	**50,671,335**	**88 %**	**112 %**
Surplus/(Deficit)	**15,720,000**	**(125,608,899)**	**(109,888,899)**	**2**		**(109,888,897)**	**(99,827,129)**		**10,061,768**	**91 %**	**(635)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	72,565,000	-	72,565,000	-		72,565,000	61,802,496		(10,762,504)	85 %	85 %
Surplus (Deficit) after capital transfers and contributions	**88,285,000**	**(125,608,899)**	**(37,323,899)**	**2**		**(37,323,897)**	**(38,024,633)**		**(700,736)**	**102 %**	**(43)%**
Surplus/(Deficit) for the year	**88,285,000**	**(125,608,899)**	**(37,323,899)**	**2**		**(37,323,897)**	**(38,024,633)**		**(700,736)**	**102 %**	**(43)%**
Capital expenditure and funds sources											
Total capital expenditure	81,087,000	(7,614,000)	73,473,000	-		73,473,000	-		(73,473,000)	- %	- %
Sources of capital funds											
Transfers recognised - capital	69,937,000	-	69,937,000	-		69,937,000	-		(69,937,000)	- %	- %
Internally generated funds	11,150,000	(7,614,000)	3,536,000	-		3,536,000	-		(3,536,000)	- %	- %
Total sources of capital funds	**81,087,000**	**(7,614,000)**	**73,473,000**	**-**		**73,473,000**	**-**		**(73,473,000)**	**- %**	**- %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	84,313,000	(25,419,387)	58,893,613	-		58,893,613	70,739,432		11,845,819	120 %	84 %
Net cash from (used) investing	(83,715,000)	14,125,000	(69,590,000)	-		(69,590,000)	(60,528,112)		9,061,888	87 %	72 %
Net cash from (used) financing	15,598,000	(11,293,387)	4,304,613	-		4,304,613	6,506,074		2,201,461	151 %	42 %
Net increase/(decrease) in cash and cash equivalents	**16,196,000**	**(22,587,774)**	**(6,391,774)**	**-**		**(6,391,774)**	**16,717,394**		**23,109,168**	**(262)%**	**103 %**
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	15,236,742		15,236,742	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	**16,196,000**	**(22,587,774)**	**(6,391,774)**	**-**		**(6,391,774)**	**31,954,136**		**(38,345,910)**	**(500)%**	**197 %**

Accounting Policies

1. Presentation of Annual Financial Statements

These annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The annual financial statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise. Details of any changes in the accounting policies are provided in the note "Changes in accounting policy."

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated at the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Useful lives of waste and water network and other assets

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.4 Investment property

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

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

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

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

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

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

Fair value

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

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

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

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

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

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

1.5 Property, plant and equipment

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

Accounting Policies

1.5 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
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

Item	**Useful life**
Land	Indefinite
Buildings	15-30 years (2013: 30 years)
Infrastructure	
• Electricity	30-40 years (2013: 15-50 years)
• Roads	7-30 years (2013: 3-60 years)
• Structures	50 years
• Storm water drainage	50 years
• Sewer reticulation	30 years (2013: 30-60 years)
• Waste water treatment works	10-55 years
• Water reticulation	10-60 years
Community	20-30 years (2013: 30 years)

1.5 Property, plant and equipment (continued)

Other property, plant and equipment

• Furniture and Fittings	7-10 years
• IT Equipment	3-5 years
• Landfill sites	15 years
• Lease assets	3-5 years
• Office Equipment	3-5 years
• Plant and Machinery	10-15 years
• Vehicles	5-7 years

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

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

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

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

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

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

1.6 Intangible assets

An asset is identifiable if it either:

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

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.

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

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

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

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

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

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

1.6 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:

Item	Useful life
Computer software	3 years

Intangible assets are derecognised:

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

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

1.7 Heritage assets

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

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

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

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

1.7 Heritage assets (continued)

Transfers

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

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

Derecognition

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

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

Transitional provision

The municipality changed its accounting policy for heritage assets in 2014. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts. The transitional provision expires on 30-Jun-15.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where heritage assets was acquired through a transfer of functions, the municipality is not required to measure that heritage assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2014 and heritage assets have accordingly been recognised at provisional amounts.

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

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

1.8 Financial instruments

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

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

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

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

A financial asset is:

1.8 Financial instruments (continued)

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

Classification

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

Class	**Category**
Receivables from exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at fair value

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

Class	**Category**
Payables from exchange transactions	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Accounting Policies

1.9 Leases

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

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

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

The cost of inventories 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.

Accounting Policies

1.11 Impairment of cash-generating and non-cash-generating assets

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

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

The entity classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

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

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

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

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

When estimating the value in use of a cash-generating asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows. The present value of the remaining service potential of a non-cash-generating assets is determined using the most appropriate between the following approaches:
• Depreciated replacement cost approach;
• Restoration cost approach;
• Service units approach

Recognition and measurement
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 or recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

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

Accounting Policies

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

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

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

1.12 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or

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.

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.

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

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 entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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 entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

1.12 Employee benefits (continued)

Post-employment benefits

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

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

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

Multi-employer plans

The entity classifies a multi-employer as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

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

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

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

Post-employment benefits: Defined contribution plans

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

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

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

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

1.12 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 entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

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.

The present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

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 entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits.

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;
- plus any liability that may arise as a result of a minimum funding requirement

The entity determine the present value of defined benefit obligations 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 entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and

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

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

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

1.12 Employee benefits (continued)

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

The entity 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 (if any).

Before determining the effect of a curtailment or settlement, the entity 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).

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

1.13 Provisions and contingencies (continued)

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

Decommissioning, restoration and similar liability

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

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

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

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

1.14 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest and dividends

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

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

1.15 Revenue from non-exchange transactions (continued)

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

Recognition

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

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

Measurement

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

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

Taxes

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

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

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

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

1.16 Comparative figures

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

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

Irregular expenditure 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.

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

1.20 Use of estimates

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

1.21 Budget information

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

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

Accounting Policies

1.21 Budget information (continued)

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

1.22 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government.

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

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

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

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after 1 April 2014	Expected impact:
• GRAP 18: Segment Reporting	April 1, 2014	Not material
• GRAP 105: Transfers of functions between entities under common control	April 1, 2014	Not material
• GRAP 106: Transfers of functions between entities not under common control	April 1, 2014	Not material
• GRAP 107: Mergers	April 1, 2014	Not material
• GRAP 20: Related parties	April 1, 2014	Not material
• IGRAP 11: Consolidation – Special purpose entities	April 1, 2014	Not material
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	April 1, 2014	Not material
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	April 1, 2014	Not material
• GRAP 7 (as revised 2010): Investments in Associates	April 1, 2014	Not material
• GRAP 8 (as revised 2010): Interests in Joint Ventures	April 1, 2014	Not material
• GRAP32: Service Concession Arrangements: Grantor	April 1, 2014	Not material
• GRAP108: Statutory Receivables	April 1, 2014	Not material
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 1, 2014	Not material

3. Investment property

Reconciliation of investment property - 2013

	Opening balance	Other changes, movements	Total
Investment property	11,690,440	(11,690,440)	-

The municipality does not have any Investment Property seeing that the use of all vacant land has been determined.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	161,370,000	-	161,370,000	161,370,000	-	161,370,000
Infrastructure	921,702,039	(263,878,811)	657,823,228	872,207,818	(195,041,978)	677,165,840
Community	140,219,936	(53,231,059)	86,988,877	129,876,502	(41,307,790)	88,568,712
Moveable assets	11,217,763	(7,299,261)	3,918,502	10,579,803	(5,732,507)	4,847,296
Total	**1,234,509,738**	**(324,409,131)**	**910,100,607**	**1,174,034,123**	**(242,082,275)**	**931,951,848**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Total
Land	161,370,000	-	-	-	161,370,000
Infrastructure	677,165,840	59,837,656	(10,343,435)	(68,836,833)	657,823,228
Community	88,568,712	-	10,343,435	(11,923,270)	86,988,877
Moveable assets	4,847,296	637,958	-	(1,566,752)	3,918,502
	931,951,848	**60,475,614**	**-**	**(82,326,855)**	**910,100,607**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Revaluations	Reclassifications	Depreciation	Impairment loss	Total
Land	1,528,780	-	-	159,841,220	-	-	-	161,370,000
Buildings	7,809,275	-	-	(7,809,275)	-	-	-	-
Infrastructure	881,359,094	21,657,268	-	(131,449,357)	(27,558,866)	(66,480,113)	(362,186)	677,165,840
Community	10,896,324	-	-	77,709,595	15,842,809	(13,165,430)	(2,714,586)	88,568,712
Moveable Assets	34,757,059	1,921,800	(243,418)	(31,809,773)	1,804,499	(1,582,871)	-	4,847,296
Heritage	-	-	-	126,346	(111,036)	(15,310)	-	-
	936,350,532	**23,579,068**	**(243,418)**	**66,608,756**	**(10,022,594)**	**(81,243,724)**	**(3,076,772)**	**931,951,848**

Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Total
Opening balance	151,607,636	151,607,636
Additions/capital expenditure	60,503,870	60,503,870
Other movements	(274,710)	(274,710)
Transferred to completed items	(167,497,869)	(167,497,869)
	44,338,927	**44,338,927**

Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Total
Opening balance	111,568,837	111,568,837
Additions/capital expenditure	49,850,098	49,850,098
Other movements	1,141,291	1,141,291
Transferred to completed items	(10,952,590)	(10,952,590)
	151,607,636	**151,607,636**

4. Property, plant and equipment (continued)

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.

5. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,199,369	(1,143,846)	55,523	1,591,273	(1,542,931)	48,342

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	48,342	50,157	(42,976)	55,523

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Total
Computer software	20,022	28,320	48,342

6. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Other heritage assets	126,347	(15,277)	111,070	126,347	-	126,347

Reconciliation of heritage assets 2014

	Opening balance	Depreciation	Total
Other heritage assets	126,347	(15,277)	111,070

Reconciliation of heritage assets 2013

	Opening balance	Total
Other heritage assets	126,347	126,347

Transitional provisions

Heritage assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework certain heritage asset was recognised at provisional amounts. Refer to the accounting policy on Heritage assets for more details.

7. Other financial assets

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

7. Other financial assets (continued)

Designated at fair value		
Unlisted shares	118,176	115,835
Unlisted shares consist of 8 236 (2013: 8 236) equity shares in Senwesbel Limited and 7 110 (2013: 7 110) equity shares in Senwes Limited		
Non-current assets		
Designated at fair value	118,176	115,835

8. Post Employment Medical Aid Provision

Defined benefit plan

Post retirement medical aid plan

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(41,373,000)	(40,178,000)

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

Opening balance	(37,758,000)	(29,801,000)
Benefits paid	928,000	930,000
Net expense recognised in the statement of financial performance	756,000	(8,887,000)
	(36,074,000)	**(37,758,000)**

Net expense recognised in the statement of financial performance

Service cost	(2,674,000)	(2,048,000)
Actuarial gains/(losses)	3,430,000	(6,839,000)
	756,000	**(8,887,000)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.48 %	7.25 %
CPI	7.01 %	6.25 %
Expected increase in healthcare costs	8.51 %	6.75 %
Net discount rate	0.89 %	0.47 %

8. Post Employment Medical Aid Provision (continued)

Other assumptions

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

	One percentage point decrease	One percentage point increase
Effect on the aggregate of the service cost and interest cost	(1,170,000)	1,509,000
Effect on defined benefit obligation	(6,527,000)	8,286,000

Amounts for the current and previous years are as follows:	2014 R	2013 R	2012 R
Defined benefit obligation	41,373,000	40,178,000	29,801,000
Experience adjustments on plan liabilities	1,499,000	1,787,000	-
	42,872,000	**41,965,000**	**29,801,000**

9. Inventories

	2014	2013
Consumable stores and water balance	2,036,707	1,350,968

10. Other receivables from exchange transactions

	2014	2013
Deposits	200,813	200,812
Other receivables	688,019	-
Other debtors	8,113,431	7,804,828
Overpayment to councillors	1,460,266	823,897
Less provision for bad debt	(568,131)	-
	9,894,396	**8,829,538**

Credit quality of trade and other receivables

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

11. Consumer debtors

Gross balances	2014	2013
Rates	23,640,610	7,975,372
Electricity	28,135,351	46,362,666
Water	121,275,950	87,894,366
Sewerage	31,651,687	27,976,294
Refuse	47,473,479	39,122,712
VAT	34,417,625	31,273,326
Other	704,859	6,627,804
	287,299,561	**247,232,540**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

11. Consumer debtors (continued)

Less: Allowance for impairment		
Rates	(19,897,025)	(2,441,710)
Electricity	(22,643,170)	(29,080,140)
Water	(116,492,374)	(80,980,325)
Sewerage	(29,746,753)	(23,697,580)
Refuse	(45,051,278)	(33,917,586)
VAT	(3,886,648)	(26,295,723)
Other	(653,388)	(5,042,352)
	(238,370,636)	**(201,455,416)**

Net balance		
Rates	3,743,585	5,533,662
Electricity	5,492,181	17,282,526
Water	4,783,576	6,914,041
Sewerage	1,904,934	4,278,715
Refuse	2,422,201	5,205,126
VAT	30,530,976	4,977,603
Other	51,470	1,585,452
	48,928,923	**45,777,125**

Included in above is receivables from exchange transactions		
Electricity	5,492,181	17,282,526
Water	4,783,576	6,914,041
Sewerage	1,904,934	4,278,715
Refuse	2,422,201	5,205,126
VAT	30,530,976	4,977,603
Other	51,470	1,585,452
	45,185,338	**40,243,463**

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	3,743,585	5,533,662
Net balance	**48,928,923**	**45,777,125**

Credit quality of consumer debtors

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

Consumer debtors past due but not impaired

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

1 month past due	8,945,997	-
2 months past due	6,982,688	-
3 months past due	7,836,082	-

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

11. Consumer debtors (continued)

Consumer debtors impaired

As of June 30, 2014, consumer debtors of R 287,299,561 (2013: R 237,731,530) were impaired and provided for.

The amount of the provision was R 234,483,988 as of June 30, 2014 (2013: R 201,455,416).

The ageing of these loans is as follows:

3 to 6 months	69,002,591	-
Over 6 months	218,296,970	-

Reconciliation of allowance for impairment of consumer debtors

Opening balance	(201,455,416)	-
Allowance for impairment	(31,648,425)	-
Other	(1,380,147)	-
	(234,483,988)	**-**

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	2,190,513	846,275
Call account	29,763,623	14,390,467
	31,954,136	**15,236,742**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2014	June 30, 2013	June 30, 2012
FNB - Current Account - 62025990765	6,372,985	1,570,430	1,278,841	2,190,513	846,275	5,122,359
FNB - Money Market - 62026222521	20,261,603	4,715,494	4,325,118	20,261,603	4,715,494	4,325,118
FNB - Money Market - 62002839506	3,509,287	1,386,649	10,013,459	3,509,287	1,386,649	10,006,890
FNB - Money Market - 62373464503	5,992,732	8,288,324	1,715	5,992,732	8,288,324	1,715
Petty Cash	-	-	-	-	-	13,000
Total	**36,136,607**	**15,960,897**	**15,619,133**	**31,954,135**	**15,236,742**	**19,469,082**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal infrastructure grant (MIG)	5,003,107	16,387,056
Other Grants	2,555,809	-
	7,558,916	**16,387,056**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

13. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	16,387,056	25,996,160
Additions during the year	195,348,000	197,339,000
Income recognition during the year	(192,494,114)	(203,144,621)
Correction of error	(255,026)	(3,803,483)
National Treasury offset	(11,427,000)	-
	7,558,916	**16,387,056**

Equitable Share		
Additions during the year	130,670,000	133,226,000
Transfer from Municipal Infrastructure Grant	-	1,740,000
Income recognition during the year	(130,670,000)	(134,966,000)
	-	**-**

Municipal Infrastructure Grant - Capital		
Balance at the beginning of the year	16,387,056	21,698,949
Additions during the year	49,936,750	55,367,000
Transfer to Equitable Share	-	(1,740,000)
Income recognition during the year	(49,893,698)	(58,938,893)
National Treasury offset	(11,427,000)	-
In terms of National Treasury offsetting agreement, the balance of R5,000,000 will be offset in July 2014		
	5,003,108	**16,387,056**

Financial Management Grant		
Balance at the beginning of the year	-	10,741
Additions during the year	1,650,000	1,500,000
Income recognition during the year	(1,650,000)	(1,510,741)
	-	**-**

Municipal System Improvement Grant		
Balance at the beginning of the year	-	480
Additions during the year	890,000	800,000
Income recognition during the year	(890,000)	(800,480)
	-	**-**

Integrated National Electrification Program Grant		
Balance at the beginning of the year	-	482,507
Income recognition during the year	-	(482,507)
	-	**-**

Extended Public Works Program Grant		
Balance at the beginning of the year	-	617,000
Additions during the year	1,000,000	1,166,000
Income recognition during the year	(986,250)	(1,166,000)
Correction of error	-	(617,000)
	13,750	**-**

FCOGTA Grants		
Balance at the beginning of the year	-	3,186,483
Additions during the year	-	5,280,000

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

13. Unspent conditional grants and receipts (continued)

Income recognition during the year	-	(5,280,000)
Correction of error	-	(3,186,483)
	-	**-**

Integrated National Electrification Program Grant		
Additions during the year	20,000,000	-
Income recognition during the year	(17,457,941)	-
	2,542,059	**-**

Municipal Infrastructure Grant - Operational		
Additions during the year	2,628,250	-
Income recognition during the year	(2,628,250)	-
	-	**-**

14. Other financial liabilities

At amortised cost		
DBSA - 1005665/101	48,506,710	42,000,636
The loan attracts annual interest at 12.50%		

Current liabilities		
At amortised cost	48,506,710	42,000,636

Defaults and breaches

The municipality did not repay the loan (capital and interest).

15. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Unwinding of discount	Total
Environmental rehabilitation	14,483,997	-	-	67,841	14,551,838
Long Service Bonus Awards	7,628,000	1,582,000	(546,000)	-	8,664,000
	22,111,997	**1,582,000**	**(546,000)**	**67,841**	**23,215,838**

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	14,483,997	-	-	14,483,997
Long Service Bonus Awards	6,188,000	2,007,000	(567,000)	7,628,000
	20,671,997	**2,007,000**	**(567,000)**	**22,111,997**

Environmental rehabilitation provision

In terms of GRAP 19, provisions should be evaluated at each year-end to reflect the best estimate at that date of the provision.

Key assumptions used

Discount rate:	9.44% (2013: 7.25%)
CPI:	6.97% (2013: 6.75%)

Long service awards provision

One Pangaea Financial ('OPF') has been briefed to perform an actuarial valuation of Nala Municipality's ('Nala')s long service bonus awards liability at 30 June 2014 for the purpose of reporting under the Statement of Generally Recognised Accounting Practice 25 (GRAP25) of the Accounting Standards Board (ASB) Directive 5, which is based on the International Accounting Standard 19 (IAS19).

A previous actuarial valuation was performed as at 30 June 2013 to disclose on the long service bonus awards in Nala's financial statements.

Key assumptions used

Discount rate:	8.29% (2013: 7.25%)
CPI:	6.17% (2013: 6.25%)
Salary increase rate	7.17% (2013: 7.15%)

16. Payables from exchange transactions

	2014	2013
Trade payables	153,843,390	127,266,740
Payments received in advanced	4,569,999	9,501,011
Accrued leave pay	11,196,685	9,543,224
Accrued bonus	2,586,521	2,239,266
Other Creditors	888,082	4,178,759
Retentions	4,359,218	4,308,479
	177,443,895	**157,037,479**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

17. VAT receivable/(payable)

VAT payable	(15,708,040)	-
VAT receivable	-	3,329,460

The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash received or actual payments are made.

18. Consumer deposits

Electricity and water	1,565,068	1,432,424

Consumer deposits are raised when a services account is opened and is refunded to the consumer after the account is closed.

There are no guarantees held in lieu of electricity and water deposits.

19. Revenue

Service charges	129,753,226	134,451,390
Rental of facilities and equipment	51,056	69,835
Interest received (trading)	10,536	-
Other income	12,080,376	2,865,585
Interest received - investment	1,318,580	1,381,257
Dividends received	6,460	4,290
Property rates	12,061,322	11,449,131
Government grants and subsidies	195,998,746	203,144,621
Fines	70,130	49,632
	351,350,432	**353,415,741**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	129,753,226	134,451,390
Rental of facilities and equipment	51,056	69,835
Interest received (trading)	10,536	-
Other income	12,080,376	2,865,585
Interest received - investment	1,318,580	1,381,257
Dividends received	6,460	4,290
	143,220,234	**138,772,357**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	12,061,322	11,449,131
Transfer revenue		
Government grants and subsidies	195,998,746	203,144,621
Fines	70,130	49,632
	208,130,198	**214,643,384**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

20. Property rates

Rates levied

Property rates	12,061,322	11,449,131

Valuations

Residential	1,296,134,590	877,654,414
Commercial	197,438,093	2,300,297,428
Government/State	27,988,800	27,282,495
Municipal	3,056,820	36,460,881
Agriculture	1,861,293,535	-
Other	64,536,147	196,261,874
	3,450,447,985	**3,437,957,092**

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R40 000 of the rateable value of residential property are exempted from taxes. A 100% rebate is granted to churches, public benefit organisations and municipal property. Furthermore a rebate of 50% is granted to farms, 60% to sectional title properties within agricultural land and 40% to other sectional title properties.

Rates are levied on an monthly basis and no interest is levied on outstanding amounts.

Rates tariffs:
- R0.00835 (2013: R0.00726) on the value of rateable residential property
- R0.0167 to R0.02507 (2013: R0.02178) on the value of rateable business/commercial property
- R0.0334 (2013: R0.02904) on the value of vacant stands
- R0.00835 (2013: R0.00726) on the value of educational property
- R0.01206 (2013: R0.01048) on the value of rateable government property
- R0.0020875 (2013: R0.00181) on the value of farm property
- R0.00117 (2013: R0.00102) on the value of mixed used property
- R0.0020875 (2013: R0.00726) on the value of sectional title property with in agricultural land
- R0.00835 (2013: R0.00726) on the value of other sectional title property

21. Service charges

Sale of electricity	59,133,243	56,068,664
Sale of water	42,802,519	47,304,465
Sewerage and sanitation charges	11,741,376	13,021,342
Refuse removal	16,076,088	18,056,919
	129,753,226	**134,451,390**

Figures in Rand	2014	2013

22. Government grants and subsidies

Operating grants		
Equitable share	130,670,000	134,966,000
Integrated National Electrification Grant	-	482,507
COGTA Grants	-	5,280,000
Municipal Systems Improvement Grant	890,000	810,741
Financial Management Grant	1,650,000	1,500,480
Extended Public Works Grant	986,250	1,166,000
	134,196,250	144,205,728
Capital grants		
Electricity Distribution Grant	15,313,984	-
Municipal Infrastructure Grant	46,488,512	58,938,893
	61,802,496	58,938,893
	195,998,746	**203,144,621**

23. Other income

Bad debts recovered	1,220	-
Burial income	330,855	276,792
Connection Fees	165,856	110,747
Donation Sedibeng	-	13,820
Fees earned	1,261,834	464,193
Cemetaries	21,289	5,046
LGSETA	174,420	472,961
Levies	504,012	233,014
VAT additional income on Grants: MFMA Circular 51	8,177,393	-
Sale of assets	-	1,065,143
Valuation certificates	42,665	6,966
Sundry income	1,400,832	216,903
	12,080,376	**2,865,585**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

24. General expenses

Advertising	235,845	264,000
Auditors remuneration	5,058,867	4,111,175
Bank charges	133,933	122,252
Chemicals	-	6,238
Conferences and seminars	664,306	605,896
Consulting and professional fees	1,452,708	2,699,357
Consumables	229,384	649,428
Entertainment	67,742	57,914
Fuel and oil	1,482,213	2,093,073
Group Insurance	483,438	473,069
Hire of equipment	419,268	1,063,045
IT expenses	23,591	39,610
Collection cost: Incentives	4,169,145	3,508,478
Membership fees	737,418	13,801
Motor vehicle expenses	63,158	474,819
Other expenses	1,909	5,742
Postage and courier	688,068	490,502
Printing and stationery	496,821	649,572
Protective clothing	-	106,445
Social responsibility	2,223,865	947,380
Special programs	-	403,454
Sundry expenses	6,221,229	6,127,092
Telephone and fax	961,405	829,668
Valuation roll	1,164,912	-
	26,979,225	**25,742,010**

Figures in Rand	2014	2013

25. Employee related costs

Basic	67,530,439	63,067,900
Bonus	5,321,498	8,993,147
Medical aid - company contributions	5,380,816	4,331,856
UIF	705,969	640,773
WCA and COID	735,592	-
SDL	865,077	857,139
Leave pay provision charge	1,653,461	4,077,087
Travel, motor car, accommodation, subsistence and other allowances	7,490,246	6,577,866
Overtime payments	8,558,396	7,821,224
Acting allowances	457,835	-
Housing benefits and allowances	122,934	146,310
Pension	10,547,105	9,144,434
Employee benefits - costs	2,260,000	11,817,000
	111,629,368	**117,474,736**

Remuneration of Municipal Manager - Mokomela BC

Annual Remuneration	1,231,755	1,098,461
Car Allowance	142,236	108,000
Contributions to UIF, Medical and Pension Funds	2,452	-
	1,206,461	**1,206,461**

Remuneration of Chief Financial Officer - Busakwe S (Appointed 01/11/2013)

Annual Remuneration	510,677	-
Car Allowance	123,423	-
Contributions to UIF, Medical and Pension Funds	2,452	-
	636,552	**-**

Remuneration of Executive Director Corporate Services - Molupe BP

Annual Remuneration	683,953	770,000
Car Allowance	338,038	180,000
Contributions to UIF, Medical and Pension Funds	2,452	-
	1,024,443	**950,000**

Remuneration of Executive Director Engineering Services - Moleko M

Annual Remuneration	-	770,000
Car Allowance	-	180,000
	-	**950,000**

Remuneration of Executive Director Infrastructure Development - Malebane K (Appointed 01/09/2013)

Annual Remuneration	641,667	-
Car Allowance	159,406	-
Contributions to UIF, Medical and Pension Funds	2,044	-
	803,117	**-**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

26. Remuneration of councillors

Councillors	4,752,946	4,482,418
Travel expenses	779,967	120,642
Cellphone expenses	1,444,086	1,759,336
	6,976,999	**6,362,396**

27. Bad debts and provision for bad debts

Opening Balance	201,455,416	343,239,509
Contributions to debt impairment provision	32,216,556	56,336,832
Debts written off	-	(198,120,925)
Other	812,016	-
	234,483,988	**201,455,416**

28. Investment revenue

Dividend revenue		
Unlisted financial assets - Senwes	6,460	4,290
Interest revenue		
Bank and other	1,318,580	1,381,257
	1,325,040	**1,385,547**

29. Depreciation and amortisation

Property, plant and equipment	82,326,858	81,045,044
Intangible assets	42,976	-
Heritage assets	15,277	-
	82,385,111	**81,045,044**

30. Finance costs

Non-current borrowings	20,904,250	7,967,636
Trade and other payables	8,580	9,895,841
	20,912,830	**17,863,477**

31. Auditors' remuneration

Fees	5,058,867	4,111,175

32. Contracted services

Information Technology Services	-	26,316
Meter Reading Services	2,856,099	3,480,400
Specialist Services	12,114,944	19,871,336
Other Contractors	2,383,874	1,337,296
	17,354,917	**24,715,348**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

33. Bulk purchases

Electricity	53,317,616	49,075,098
Water	32,967,817	25,338,879
	86,285,433	**74,413,977**

34. Cash generated from operations

Deficit	(38,024,633)	(56,616,120)
Adjustments for:		
Depreciation and amortisation	82,385,111	81,045,044
Gain on sale of non-current assets and disposal groups	-	243,418
Impairment deficit	-	3,076,772
Debt impairment	32,216,556	56,336,832
Movements in retirement benefit assets and liabilities	1,195,000	10,377,000
Movements in provisions	1,103,841	1,440,000
Other non-cash items	(1,765,911)	(197,959,828)
Changes in working capital:		
Inventories	(685,739)	109,028,263
Other receivables from exchange transactions	(1,064,860)	5,496,657
Consumer debtors	(35,368,353)	26,346,464
Payables from exchange transactions	20,406,416	15,558,902
VAT	19,037,500	(31,160,301)
Unspent conditional grants and receipts	(8,828,140)	(9,609,104)
Consumer deposits	132,644	(14,650)
	70,739,432	**13,589,349**

35. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	14,460,450	123,668,740

This committed expenditure relates to infrastructure projects and will be financed by available bank facilities, existing cash resources, funds internally generated and grants.

36. Contingencies

SAMWU on behalf of members (various employees) for an application in the Labour Court against Nala Local Municipality	60,000	-
Patula Balekane Joint Venture issued summons against the Municipality for payment in respect of oustanding payments due to the plaintiff	2,200,000	-
SI Swartbooi was preivously dismissed after disciplanry proceedings were instituted and the matter has been escalated to the Labour Court	1,700,000	-
Litigation with regard to the municipality failing to execute their duties	120,000	-
	4,080,000	**-**

The Municipality has two active landfill sites. It has been identified that the landfill sites situated in Bothaville and Wesselsbron are not licensed as required by the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), In accordance with section 68(1) of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (9) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 years, or to both such fine and such imprisonment, in addition to any other penalty or award that may be imposed or made.

Figures in Rand	2014	2013

37. Prior period errors

2014

Assets	-10,172,684.60	Correction of duplication (Asset provision account)
Cash	7,700.00	Corrections from bank reconciliation
Creditor	-2,038,126.83	Correction of contracted services (Dinatla) and errors on third party creditors
Debtors	7,942,630.83	Unmetered services
Depreciation	144,371.59	IMESA correction on infrastructure
Inventory	90,893.39	Water inventory
Other debtors	816,998.46	Overpayment correction
Provision	-14,483,997.00	Provision for rehabilitation of landfill sites
Provisions	1,915,680.61	Bonus provision correction
VAT	-1,425,977.10	VAT correction on unmetered services
Depreciation	-144,371.59	IMESA correction on infrastructure
General cost	1,753,236.75	Correction of contracted services (Dinatla)
Repairs	2,280.00	Invoice not captured
Salaries	2,110,721.90	Bonus provision and allocation error
Serv charges	-6,854,040.58	Unmetered services
Council	-602,718.36	Allocation error and overpayment correction
Other inc	149,272.23	VAT correction
Bulk purchases	-90,893.39	Water inventory

2013
Not disclosed due to it not being required by GRAP3.

The correction of the errors results in adjustments as follows:

Statement of financial position		
Property, plant and equipment	-	(10,075,870)
VAT	-	(1,425,977)
Consumer Debtors	-	7,942,630
Provisions	-	(12,568,316)
Other receivables from exchange transactions	-	816,998
Inventories	-	90,893
Payables from exchange transaction	-	(2,038,126)
Cash and cash equivalents	-	7,700
Opening accumulated surplus	-	20,926,579
Statement of Financial Performance		
Service charges	-	(6,854,040)
Bulk purchases	-	(90,893)
Repairs and maintenance	-	2,280
Depreciation and amortisation	-	(144,371)
Contracted services	-	1,753,236
Employee related costs	-	2,110,722
Other income	-	149,272
Council remuneration	-	(602,718)

38. Going concern

We draw attention to the fact that at June 30, 2014, the municipality had accumulated surplus of R687,828,071 and that the municipality's total assets exceed its liabilities by R687,828,071.

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

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

39. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	510,017	202,649
Current year subscription / fee	699,896	557,368
Amount paid - current year	(265,231)	(250,000)
	944,682	**510,017**

Audit fees

Opening balance	529,149	529,149
Current year subscription / fee	5,058,867	4,111,175
Amount paid - previous years	(4,540,429)	(4,111,175)
	1,047,587	**529,149**

PAYE, UIF and SDL

Opening balance	1,611,715	1,528,655
Current year subscription / fee	12,472,651	8,434,971
Amount paid - current year	(13,131,690)	(8,351,911)
	952,676	**1,611,715**

Pension and Medical Aid Deductions

Opening balance	1,112,954	5,017,934
Current year subscription / fee	27,698,141	13,359,753
Amount paid - current year	(28,711,383)	(10,051,668)
Prior year balance adjustment	-	(7,213,065)
	99,712	**1,112,954**

VAT

VAT receivable	-	3,329,460
VAT payable	15,708,040	-
	15,708,040	**3,329,460**

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

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

Councillors' arrear consumer accounts

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

June 30, 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mogoje T.A	12,772	41,212	53,984
Masisi M.D	1,601	16,190	17,791
Moses S.S	849	5,031	5,880
Bopiko M.H	406	-	406
Tutubala M.M	(828)	-	(828)
Nieuwhout P.T	4,444	1,955	6,399
Mokolutlo R.J	(176)	-	(176)
Radebe P.S	2,547	26,402	28,949
Moepi P.A	823	1,271	2,094
Moshane Z.M	608	-	608
Dongeni M.J	-	266	266
Botha H.J	1,790	8,711	10,501
Mohloare T.A	-	280	280
Maas V	355	14,687	15,042
Ramaele P	704	8,132	8,836
Leburu P.K	(204)	-	(204)
Lenake M.R	113	-	113
Mabeleng J	(637)	-	(637)
Marumule M.S	51	-	51
Thebehae T	873	5,980	6,853
Mashiya M.N	2,381	4,231	6,612
Mamatela J.P	(553)	-	(553)
Mashiya M.N	-	(7,057)	(7,057)
Masisi M.D	-	(2,121)	(2,121)
Mogoje T.A	-	(3,823)	(3,823)
Mohloare T.A	(5)	-	(5)
Moses S.S	(498)	-	(498)
Moshane Z.M	(1,689)	-	(1,689)
Mpesi M.M	(221)	-	(221)
	25,506	**121,347**	**146,853**

June 30, 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mogoje T	-	94,702	94,702
Mashiya M	-	4,399	4,399
Lenake M	-	273	273
Moses SS	234	8,211	8,445
Bopiko MH	-	3,155	3,155
Tutubala MM	3,012	16,702	19,714
Nieuwhoudt PL	662	5,009	5,671
Mokolutilo RJ	651	4,548	5,199
Radebe PS	-	3,305	3,305
Leburu PK	-	3,154	3,154
Mamatela JP	-	533	533
Moepi PA	-	7,533	7,533
Moshane ZM	-	6,609	6,609
Marumule MS	-	6,717	6,717
Mpesi MM	-	380	380

Figures in Rand		2014	2013

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

Masisi D	-	1,450	1,450
Dongeni MJ	1,318	1,509	2,827
Mohloare TA	-	1,580	1,580
Motsoeneng NM	1,622	11,125	12,747
Moshodi TL	-	84,674	84,674
	7,499	**265,568**	**273,067**

June 30, 2014	Highest outstanding amount	Aging (in days)
Mogoje T.A	36,587	90+
Moses S.S	5,032	90+
Tutubala M.M	3,856	90+
Nieuwhout P.T	1,722	90+
Mokolutlo R.J	4,022	90+
Radebe P.S	652	90+
Moepi P.A	1,058	90+
Dongeni M.J	1,197	90+
Thebaehae M.A	75,344	90+
	129,470	**810**

June 30, 2013	Highest outstanding amount	Aging (in days)
Mogoje T.A	8,757	90+
Tutubala M.M	2,416	90+
Mokolutlo J.R	1,474	90+
Moses S.S	2,530	90+
Thebapelo M.J	1,245	90+
Dongeni M.J	1,107	90+
Nieuwout P.L	1,322	90+
Thebaehae M.A	37,050	90+
Hlahasoane M.E	4,473	90+

40. Unauthorised expenditure

	2014	2013
Opening balance	97,795,332	-
Unauthorised expenditure	-	97,795,332
	97,795,332	**97,795,332**

List of Unauthorised expenditure

	2014	2013
Employee cost	-	9,807,704
Remuneration of Councillor	-	2,020,114
Debt impairment	-	6,336,832
Depreciation Asset Impairment	-	61,661,594
Finance charges	-	9,228,694
Other Expenditure	-	8,740,394
	-	**97,795,332**

41. Fruitless and wasteful expenditure

	2014	2013
Opening balance	11,295,639	-
Interest	20,836,171	9,368,965
Legal fees	390,742	1,926,674
Arbitration awards	720,387	-
	33,242,939	**11,295,639**

Figures in Rand	2014	2013

42. Irregular expenditure

	2014	2013
Opening balance	38,922,496	29,599,347
Add: Irregular Expenditure - current year	60,936,250	9,323,149
	99,858,746	**38,922,496**

43. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	118,176	-	118,176
Other receivables from exchange transactions	-	9,894,396	9,894,396
Consumer debtors	-	48,928,923	48,928,923
Cash and cash equivalents	-	31,954,136	31,954,136
	118,176	**90,777,455**	**90,895,631**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	48,506,710	48,506,710
Payables from exchange transactions	177,443,895	177,443,895
Consumer deposits	1,565,068	1,565,068
	227,515,673	**227,515,673**

2013

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	115,835	-	115,835
Other receivables from exchange transactions	-	8,829,538	8,829,538
Consumer debtors	-	45,777,125	45,777,125
Cash and cash equivalents	-	15,236,742	15,236,742
	115,835	**69,843,405**	**69,959,240**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	42,000,636	42,000,636
Payables from exchange transactions	157,037,479	157,037,479
Consumer deposits	1,432,424	1,432,424
	200,470,539	**200,470,539**

Financial instruments in Statement of financial performance

2014

. Financial instruments disclosure (continued)

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1,318,580	1,318,580
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(20,912,830)	(20,912,830)
Impairment loss	(32,216,556)	(32,216,556)
	(51,810,806)	**(51,810,806)**

2013

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1,381,257	1,381,257
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(17,863,477)	(17,863,477)
Impairment loss	(56,336,832)	(56,336,832)
	(72,819,052)	**(72,819,052)**

44. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note
Members of key management	Various

45. Comparative figures

Certain comparative figures have been reclassified to enhance presentation and/or where consequential amendments, due to other standards becoming effective, was required.

46. Utilisation of Long-term liabilities reconciliation

	2014	2013
Long-term liabilities raised	48,506,710	42,000,636

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

47. Deviation from supply chain management regulations

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

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

	2014	2013
The expenses incurred, as listed hereunder, have been approved/condoned		
Emergencies	3,155,808	-
Sole supplier	420,953	-
Other	162,922	-
	3,739,683	**-**

48. Distribution Losses

	2014	**2013**
Electricity		

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
Rand		
Sold	60 690 628	34 805 387
Purchased	51 141 099	49 075 098
Units		
Sold	54 494 103	46 407 183
Purchased	74 678 228	40 557 932
Tariff		
Sold	1.11	0.75
Purchased	0.68	1.21
Water		
Rand		
Sold	57 414 670	54 274 300
Purchased	32 967 816	25 338 879
Units		
Sold	4 549 951	4 170 755
Purchased	4 797 590	4 411 750
Tariff		
Sold	12.62	13.01
Purchased	6.87	5.74

49. Budget differences

Material differences between budget and actual amounts

Refer to the Annual Report for information regarding these differences.

Differences between budget and actual amounts basis of preparation and presentation

Refer to the Annual Report for information regarding these differences.

Changes from the approved budget to the final budget

Refer to the Annual Report for information regarding these differences.