Lejweleputswa District Municipality Consolidation
Annual Financial Statements
for the year ended 30 June 2014

General Information

Legal form of entity	An organ of state exercising legislative and executive authority
Nature of business and principal activities	District municipality
Mayoral committee	
Executive Mayor	Cllr NW Speelman
Speaker	Cllr MA Olifant
Councillors	Cllr KR Phukuntsi - MMC Sports, Arts, Culture and Recreation Cllr M Lekaota - MMC Corporate Services and Administration Cllr MH Ntsebeng - MMC Social Services and Environmental Health Cllr MJ Pereko - MMC Special Programmes Cllr MMT Matlabe - MMC Finance Cllr PP Maseko - MMC Municipal Support and Infrastructure Cllr XJ Toki - MMC LED, Tourism, Agriculture, Youth and SMME
Municipal demarcation code	DC18
Grading of local authority	4
Capacity of local authority	Low capacity
Accounting Officer	Ms PME Kaota
Chief Finance Officer (CFO)	Mr PK Pitso
Registered office	Office of the Municipal Manager
Business address	Corner of Jan Hofmeyer and Tempest Road Jim Fouche Park WELKOM 9459
Postal address	P.O. Box 2163 WELKOM 9460
Bankers	ABSA Bank Limited
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 council:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
PAYE	Pay As You Earn
SARS	South African Revenue Services
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

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 were given unrestricted access to all financial records and related data.

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

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

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the economic entity and places 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

The municipality depends on grants received from National Government (98%) as RSC levies were abolished in 2006.

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

The annual financial statements set out on pages 6 to 71, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on his behalf by:

Palesa Matshidiso Elizabeth Kaota
Municipal Manager
Date: 31 August 2014
WELKOM

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2014.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 number of meetings were held.

Name of member	Number of meetings attended
From January 2014	
Mr J Makoro (Chairperson)	1
Mr ET Femele	1
Mr NL Masoka	1
Mr K Khonkhe	1
Mr NL Phatlane	1
Until December 2013	
Mr PD Moeti (Chairperson)	4
Mr E Mahonga	3
Mr ET Femele	4
Mr J Makoro	2

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Evaluation of annual financial statements

The audit committee has:
- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the economic entity and its audits.

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Chairperson of the Audit Committee

Date: ______________________

Statement of Financial Position as at 30 June 2014

		Economic entity		Controlling entity	
Figures in Rand	**Note(s)**	**2014**	**2013**	**2014**	**2013 Restated**
Assets					
Current Assets					
Cash and cash equivalents	3	22 895 556	22 667 743	18 464 437	19 981 927
Other financial assets	4	30 284 902	20 000 000	30 284 902	20 000 000
Receivables from exchange transactions		35 137	29 396	-	-
Receivables from non-exchange transactions	5	859 561	1 552 456	859 561	1 552 456
VAT receivable	6	-	4 750	-	4 750
		54 075 156	**44 254 345**	**49 608 900**	**41 539 133**
Non-Current Assets					
Property, plant and equipment	7	71 016 730	74 373 078	70 947 875	74 316 697
Intangible assets	8	1 610 797	3 027 432	1 610 437	3 020 182
Investments in controlled entities		-	-	100	100
		72 627 527	**77 400 510**	**72 558 412**	**77 336 979**
Total Assets		**126 702 683**	**121 654 855**	**122 167 312**	**118 876 112**
Liabilities					
Current Liabilities					
Payables from exchange transactions	9	7 077 907	6 642 155	7 021 293	6 459 301
Other financial liabilities	10	1 847 014	1 585 085	1 847 014	1 585 085
VAT payable	13	2 469 131	1 449 842	27 227	-
Employee benefit obligation	11	-	20 376	-	20 376
Long service awards	11	3 217 000	1 822 212	3 217 000	1 822 212
Unspent conditional grants and receipts		2 638 314	1 200 000	-	-
Provisions	12	842 307	381 341	842 307	381 341
		18 091 673	**13 101 011**	**12 954 841**	**10 268 315**
Non-Current Liabilities					
Other financial liabilities	10	13 113 088	14 960 102	13 113 088	14 960 102
Employee benefit obligation	11	7 588 000	5 584 584	7 588 000	5 584 584
		20 701 088	**20 544 686**	**20 701 088**	**20 544 686**
Total Liabilities		**38 792 761**	**33 645 697**	**33 655 929**	**30 813 001**
Net Assets		**87 909 922**	**88 009 158**	**88 511 383**	**88 063 111**
Share capital / contributed capital		100	100	-	-
Accumulated surplus		89 232 456	84 452 804	88 773 152	88 337 702
Total Net Assets		**89 232 556**	**84 452 904**	**88 773 152**	**88 337 702**

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	**Note(s)**	**2014**	**2013**	**2014**	**2013 Restated**
Revenue					
Revenue from exchange transactions					
Interest received - trading		1 141 575	769 874	1 141 575	769 874
Other income	15	1 123 900	500 035	1 123 900	500 035
Government grants		1 174 398	2 254 149	-	-
Interest received - investment	16	3 010 559	2 511 604	2 824 496	2 425 189
Gains on disposal of assets		-	67 977	-	67 977
Total revenue from exchange transactions		**6 450 432**	**6 103 639**	**5 089 971**	**3 763 075**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants and subsidies	17	103 760 000	100 511 840	103 760 000	100 511 840
Total revenue	14	**110 210 432**	**106 615 479**	**108 849 971**	**104 274 915**
Expenditure					
Employee related cost	18	(62 399 778)	(49 910 631)	(60 740 189)	(48 208 182)
Remuneration of councillors	19	(8 952 243)	(8 352 625)	(8 713 434)	(8 121 452)
Transfers to local municipalities		(1 563 049)	(1 950 000)	(1 563 049)	(1 950 000)
Depreciation and amortisation	21	(6 677 704)	(7 181 150)	(6 651 214)	(7 145 106)
Reversal of impairments / (Impairment loss)	22	2 911 381	(4 185)	2 911 381	(4 185)
Finance costs	23	(2 582 857)	(2 848 310)	(2 582 857)	(2 840 657)
Repairs and maintenance	24	(406 696)	(440 217)	(404 943)	(438 257)
Consulting and professional fees	25	(1 648 744)	(1 849 521)	(1 648 744)	(1 849 521)
Transfer to the Development Agency	2633	-	-	(2 500 000)	(2 500 000)
Loss on disposal of assets	26	(481 657)	-	(481 657)	-
General expenses	27	(25 354 842)	(29 443 287)	(22 862 012)	(27 509 423)
Total expenditure		**(107 156 189)**	**(101 979 926)**	**(105 236 718)**	**(100 566 783)**
Operating surplus		**3 054 243**	**4 635 553**	**3 613 253**	**3 708 132**
Surplus for the year		**3 054 243**	**4 635 553**	**3 613 253**	**3 708 132**

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Economic entity			
Opening balance as previously reported	-	82 623 384	82 623 384
Adjustments			
Correction of errors	-	371 670	371 670
Balance at 01 July 2012 as restated*	**-**	**82 995 054**	**82 995 054**
Changes in net assets			
Adjustments on differences between the general ledger and the financial statements	-	(3 177 803)	(3 177 803)
Net income (losses) recognised directly in net assets	-	(3 177 803)	(3 177 803)
Surplus for the year	-	4 635 553	4 635 553
Total recognised income and expenses for the year	-	1 457 750	1 457 750
Total changes	-	1 457 750	1 457 750
Balance at 01 July 2013	**-**	**85 513 570**	**85 513 570**
Changes in net assets			
Additions - assets donated	-	11 500	11 500
Prior year adjustment	-	653 143	653 143
Net income (losses) recognised directly in net assets	-	664 643	664 643
Surplus for the year	-	3 054 243	3 054 243
Total recognised income and expenses for the year	-	3 718 886	3 718 886
Total changes	-	3 718 886	3 718 886
Balance at 30 June 2014	**-**	**89 232 456**	**89 232 456**
Note(s)			

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Controlling entity			
Opening balance as previously reported	100	84 257 900	84 258 000
Adjustments			
Correction of errors	-	371 670	371 670
Balance at 01 July 2012 as restated*	**100**	**84 629 570**	**84 629 670**
Changes in net assets			
Surplus for the year	-	3 708 132	3 708 132
Total changes	-	3 708 132	3 708 132
Adjustments			
Prior year adjustments	-	(3 177 803)	(3 177 803)
Balance at 01 July 2013	**100**	**85 159 899**	**85 159 999**
Changes in net assets			
Surplus for the year	-	3 613 253	3 613 253
Total changes	-	3 613 253	3 613 253
Balance at 30 June 2014	**100**	**88 773 152**	**88 773 252**
Note(s)			

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	**Note(s)**	**2014**	**2013**	**2014**	**2013 Restated**
Cash flows from operating activities					
Receipts					
Grants		106 260 000	98 011 840	103 760 000	100 511 840
Interest income		3 010 559	2 511 604	2 824 496	2 425 189
Other receipts		11 415 720	6 240 028	5 869 751	339 514
		120 686 279	106 763 472	112 454 247	103 276 543
Payments					
Employee costs		(71 352 020)	(58 490 139)	(69 453 623)	(56 329 634)
Suppliers		(27 991 749)	(32 405 645)	(26 050 229)	(31 222 441)
Finance costs		(2 582 857)	(2 848 310)	(2 582 857)	(2 840 657)
Other payments		(4 148 742)	650 480	(1 648 742)	(1 849 520)
		(106 075 368)	(93 093 614)	(99 735 451)	(92 242 252)
Net cash flows from operating activities	30	**14 610 911**	**13 669 858**	**12 718 796**	**11 034 291**
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(6 321 430)	(1 508 539)	(2 199 481)	(2 727 454)
Proceeds from sale of property, plant and equipment	7	1 617 996	1 276 108	(11 994)	1 276 108
Purchase of other intangible assets	8	-	-	(154 824)	-
Proceeds from sale of other intangible assets	8	-	-	-	1 076 734
Proceeds from sale of financial assets		(10 284 902)	(20 000 000)	(10 284 902)	(4 000 000)
Net cash flows from investing activities		**(14 988 336)**	**(20 232 431)**	**(12 651 201)**	**(4 374 612)**
Cash flows from financing activities					
Repayment of other financial liabilities		(1 585 085)	16 545 187	(1 585 085)	(1 793 047)
Net cash flows from financing activities		**(1 585 085)**	**16 545 187**	**(1 585 085)**	**(1 793 047)**
Net increase/(decrease) in cash and cash equivalents		**(1 962 510)**	**9 982 614**	**(1 517 490)**	**4 866 632**
Cash and cash equivalents at the beginning of the year		22 667 743	-	19 981 927	15 115 296
Cash and cash equivalents at the end of the year	3	**20 705 233**	**9 982 614**	**18 464 437**	**19 981 928**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 43)

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 43)
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received - trading	483 976	-	**483 976**	1 141 575	**657 599**	
Other income	80 000	-	**80 000**	1 123 900	**1 043 900**	
Interest received - investment	1 668 000	-	**1 668 000**	2 824 496	**1 156 496**	
Total revenue from exchange transactions	**2 231 976**	**-**	**2 231 976**	**5 089 971**	**2 857 995**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants and subsidies	104 076 000	-	**104 076 000**	103 760 000	**(316 000)**	
Total revenue	**106 307 976**	**-**	**106 307 976**	**108 849 971**	**2 541 995**	
Expenditure						
Employee remuneration	(56 466 275)	(4 164 496)	**(60 630 771)**	(60 740 189)	**(109 418)**	
Remuneration of councillors	(8 373 642)	(313 444)	**(8 687 086)**	(8 713 434)	**(26 348)**	
Transfers to local municipalities	(3 450 000)	-	**(3 450 000)**	(1 563 049)	**1 886 951**	
Depreciation and amortisation	(6 026 791)	-	**(6 026 791)**	(6 651 214)	**(624 423)**	
Impairment loss/ Reversal of impairments	-	-	**-**	2 911 381	**2 911 381**	
Finance costs	(2 582 857)	-	**(2 582 857)**	(2 582 857)	**-**	
Repairs and maintenance	(640 475)	(29 500)	**(669 975)**	(404 943)	**265 032**	
Consulting and professional fees	(923 740)	(416 500)	**(1 340 240)**	(1 648 744)	**(308 504)**	
Grants and subsidies paid	(2 500 000)	-	**(2 500 000)**	(2 500 000)	**-**	
General expenses	(23 900 412)	(877 131)	**(24 777 543)**	(22 862 012)	**1 915 531**	
Total expenditure	**(104 864 192)**	**(5 801 071)**	**(110 665 263)**	**(104 755 061)**	**5 910 202**	
Operating surplus	**1 443 784**	**(5 801 071)**	**(4 357 287)**	**4 094 910**	**8 452 197**	
Loss on disposal of assets and liabilities	-	-	**-**	(481 657)	**(481 657)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**1 443 784**	**(5 801 071)**	**(4 357 287)**	**3 613 253**	**7 970 540**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 43)
Statement of Financial Position						
Assets						
Current Assets						
Other financial assets	25 000 000	-	**25 000 000**	30 284 902	**5 284 902**	
Receivables from non-exchange transactions	1 255 000	302 000	**1 557 000**	859 561	**(697 439)**	
Cash and cash equivalents	11 035 000	3 947 000	**14 982 000**	18 464 437	**3 482 437**	
	37 290 000	**4 249 000**	**41 539 000**	**49 608 900**	**8 069 900**	
Non-Current Assets						
Property, plant and equipment	70 923 000	2 800 000	**73 723 000**	70 947 875	**(2 775 125)**	
Intangible assets	5 423 000	(2 303 000)	**3 120 000**	1 610 437	**(1 509 563)**	
Investments in controlled entities	-	-	**-**	100	**100**	
	76 346 000	**497 000**	**76 843 000**	**72 558 412**	**(4 284 588)**	
Total Assets	**113 636 000**	**4 746 000**	**118 382 000**	**122 167 312**	**3 785 312**	
Liabilities						
Current Liabilities						
Other financial liabilities	1 585 000	-	**1 585 000**	1 585 085	**85**	
Payables from exchange transactions	7 043 000	(584 000)	**6 459 000**	7 021 293	**562 293**	
VAT payable	-	-	**-**	27 227	**27 227**	
Employee benefit obligation	20 000	-	**20 000**	-	**(20 000)**	
Provisions	1 130 000	1 074 000	**2 204 000**	842 307	**(1 361 693)**	
Long service awards	-	-	**-**	3 217 000	**3 217 000**	
	9 778 000	**490 000**	**10 268 000**	**12 692 912**	**2 424 912**	
Non-Current Liabilities						
Other financial liabilities	14 960 000	-	**14 960 000**	13 375 017	**(1 584 983)**	
Employee benefit obligation	7 407 000	(1 822 000)	**5 585 000**	7 588 000	**2 003 000**	
	22 367 000	**(1 822 000)**	**20 545 000**	**20 963 017**	**418 017**	
Total Liabilities	**32 145 000**	**(1 332 000)**	**30 813 000**	**33 655 929**	**2 842 929**	
Net Assets	**81 491 000**	**6 078 000**	**87 569 000**	**88 511 383**	**942 383**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	81 491 000	6 078 000	**87 569 000**	88 511 383	**942 383**	.

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 43)
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	104 076 000	-	**104 076 000**	103 760 000	**(316 000)**	
Interest income	1 668 000	-	**1 668 000**	2 818 522	**1 150 522**	
Other receipts	80 000	-	**80 000**	2 326 050	**2 246 050**	
	105 824 000	**-**	**105 824 000**	**108 904 572**	**3 080 572**	
Payments						
Employee costs	-	-	**-**	(69 453 623)	**(69 453 623)**	
Suppliers	(93 312 000)	(2 793 000)	**(96 105 000)**	(23 299 185)	**72 805 815**	
Finance costs	(2 583 000)	-	**(2 583 000)**	(2 582 857)	**143**	
Transfers and grants	(5 950 000)	-	**(5 950 000)**	-	**5 950 000**	
Other cash item	-	-	**-**	(1 648 744)	**(1 648 744)**	
	(101 845 000)	**(2 793 000)**	**(104 638 000)**	**(96 984 409)**	**7 653 591**	
Net cash flows from operating activities	**3 979 000**	**(2 793 000)**	**1 186 000**	**11 920 163**	**10 734 163**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(2 166 000)	(1 663 000)	**(3 829 000)**	(2 199 481)	**1 629 519**	
Proceeds from sale of property, plant and equipment	-	-	**-**	414 766	**414 766**	
Purchase of other intangible assets	-	-	**-**	(154 824)	**(154 824)**	
Purchase of financial assets	-	(7 923 000)	**(7 923 000)**	(10 000 000)	**(2 077 000)**	
Net cash flows from investing activities	**(2 166 000)**	**(9 586 000)**	**(11 752 000)**	**(11 939 539)**	**(187 539)**	
Cash flows from financing activities						
Repayment of borrowings	(1 847 000)	(271 000)	**(2 118 000)**	(1 585 085)	**532 915**	
Net increase/(decrease) in cash and cash equivalents	(34 000)	(12 650 000)	**(12 684 000)**	(1 604 461)	**11 079 539**	
Cash and cash equivalents at the beginning of the year	15 115 000	11 081 000	**26 196 000**	19 981 927	**(6 214 073)**	
Cash and cash equivalents at the end of the year	**15 081 000**	**(1 569 000)**	**13 512 000**	**18 377 466**	**4 865 466**	
Reconciliation						

Economic entity - 2014

Financial Performance							
Investment revenue	-	1 668 000	1 668 000	-		1 668 000	3 010 559
Transfers recognised - operational	-	-	-	-		-	1 174 398
Other own revenue	-	563 976	563 976	-		563 976	2 265 475

Total revenue (excluding capital transfers and contributions)	**-**	**2 231 976**	**2 231 976**	**-**		**2 231 976**	**6 450 432**		**4 218 456**	**289 %**	**DIV/0 %**
Employee costs	-	(60 630 771)	(60 630 771)	-	-	(60 630 771)	(62 399 778)	-	(1 769 007)	103 %	DIV/0 %
Remuneration of councillors	-	(8 687 086)	(8 687 086)	-	-	(8 687 086)	(8 952 243)	-	(265 157)	103 %	DIV/0 %
Depreciation and asset impairment	-	(6 026 791)	(6 026 791)			(6 026 791)	(3 766 323)	-	2 260 468	62 %	DIV/0 %
Finance charges	-	(2 582 857)	(2 582 857)	-	-	(2 582 857)	(2 582 857)	-	-	100 %	DIV/0 %
Transfers and grants	-	(2 500 000)	(2 500 000)	-	-	(2 500 000)	-	-	2 500 000	- %	DIV/0 %
Other expenditure	-	(29 019 344)	(29 019 344)	-	-	(29 019 344)	(29 454 988)	-	(435 644)	102 %	DIV/0 %
Total expenditure	**-**	**(109 446 849)**	**(109 446 849)**	**-**	**-**	**(109 446 849)**	**(107 156 189)**	**-**	**2 290 660**	**98 %**	**DIV/0 %**
Surplus/(Deficit)	**-**	**(107 214 873)**	**(107 214 873)**	**-**		**(107 214 873)**	**(100 705 757)**		**6 509 116**	**94 %**	**94 %**

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	-	104 076 000	104 076 000	-		104 076 000	103 760 000		(316 000)	100 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**-**	**(3 138 873)**	**(3 138 873)**	**-**		**(3 138 873)**	**3 054 243**		**6 193 116**	**(97)%**	**DIV/0 %**
Surplus/(Deficit) for the year	**-**	**(3 138 873)**	**(3 138 873)**	**-**		**(3 138 873)**	**3 054 243**		**6 193 116**	**(97)%**	**DIV/0 %**

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
Controlling entity - 2014											
Financial Performance											
Investment revenue	1 668 000	-	1 668 000	-		1 668 000	2 824 496		1 156 496	169 %	169 %
Grants	104 076 000	-	104 076 000	-		104 076 000	103 760 000		(316 000)	100 %	100 %
Other income	563 976	-	563 976	-		563 976	2 265 475		1 701 499	402 %	402 %
Total revenue (excluding capital transfers and contributions)	**106 307 976**	**-**	**106 307 976**	**-**		**106 307 976**	**108 849 971**		**2 541 995**	**102 %**	**102 %**
Employee costs	(56 466 275)	(4 164 496)	(60 630 771)	-	-	(60 630 771)	(60 740 189)	-	(109 418)	100 %	108 %
Remuneration of councillors	(8 374 000)	(313 086)	(8 687 086)	-	-	(8 687 086)	(8 713 434)	-	(26 348)	100 %	104 %
Depreciation and asset impairment	(6 026 791)	-	(6 026 791)			(6 026 791)	(3 739 833)	-	2 286 958	62 %	62 %
Finance charges	(2 582 857)	-	(2 582 857)	-	-	(2 582 857)	(2 582 857)	-	-	100 %	100 %
Grants and subsidies paid	(2 500 000)	-	(2 500 000)	-	-	(2 500 000)	(2 500 000)	-	-	100 %	100 %
Other expenditure	(28 914 269)	(1 323 489)	(30 237 758)	-	-	(30 237 758)	(26 960 405)	-	3 277 353	89 %	93 %
Total expenditure	**(104 864 192)**	**(5 801 071)**	**(110 665 263)**	**-**	**-**	**(110 665 263)**	**(105 236 718)**	**-**	**5 428 545**	**95 %**	**100 %**
Surplus/(Deficit)	**1 443 784**	**(5 801 071)**	**(4 357 287)**	**-**		**(4 357 287)**	**3 613 253**		**7 970 540**	**(83)%**	**250 %**
Transfers recognised - capital	79 341 000	24 735 000	104 076 000	-		104 076 000	103 760 000		(316 000)	100 %	131 %
Surplus (Deficit) after capital transfers and contributions	**80 784 784**	**18 933 929**	**99 718 713**	**-**		**99 718 713**	**107 373 253**		**7 654 540**	**108 %**	**133 %**
Surplus/(Deficit) for the year	**80 784 784**	**18 933 929**	**99 718 713**	**-**		**99 718 713**	**107 373 253**		**7 654 540**	**108 %**	**133 %**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in a controlled entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the cost on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the surplus or deficit of the controlling entity is separately disclosed.

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:

1.3 Significant judgements and sources of estimation uncertainty (continued)

Receivables

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

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

Impairment testing

The recoverable (service) 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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

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

Value in use of non-cash generating assets
The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on industry norm. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for impairment

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

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment are initially recognised 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), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, it's cost is measured at the carrying amount of the asset 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 economic 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 are carried at cost less accumulated depreciation and any impairment losses.

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

Item	Average useful life
Land	Not depreciated
Buildings	
• Buildings	30 years
• Paving	30 years
Plant and machinery	5 years
Furniture and fixtures	5 years
Motor vehicles	7 years
Office equipment	4 years
Emergency equipment	5 years
Other property, plant and equipment	5 years

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

Reviewing the useful life of an asset on an annual basis does not require the economic 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.

1.5 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the economic entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the economic 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 economic entity or from other rights and obligations.

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

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

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

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

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis to their estimated 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 arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.6 Investments in controlled entities

Controlling entity annual financial statements

In the municipality’s separate annual financial statements, investments in investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.7 Financial instruments

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

1.7 Financial instruments (continued)

Classification

The economic 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
Other financial assets	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The economic 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
Financial liabilities	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

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

The economic entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The economic entity measures all other financial assets and financial liabilities initially at fair value.

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

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

Accounting Policies

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

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 in the case of a financial asset.

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

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

Financial assets measured at amortised cost:

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

1.7 Financial instruments (continued)

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

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial assets measured at cost:

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

Derecognition

Financial assets

The economic entity derecognises financial assets using trade date accounting.

The economic entity derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

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

Accounting Policies

1.8 Leases

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

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

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

1.9 Non-current assets held for sale and disposal groups

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

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

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

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

1.10 Impairment of 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.

Identification

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

1.10 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.11 Impairment of non-cash-generating assets

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

Identification

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

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

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

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.12 Share capital / contributed capital

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

Accounting Policies

1.13 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the economic entity during a reporting period, the economic entity recognises 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 economic entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the economic 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 economic entity during a reporting period, the economic entity recognises the contribution payable to a defined contribution plan in exchange for that service:

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

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

1.13 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 economic entity recognises 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 economic entity recognises past service cost as an expense in the reporting period in which the plan is amended.

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

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

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

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

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

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

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

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

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

The economic 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;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

1.13 Employee benefits (continued)

The economic 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 economic 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 economic 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.

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 economic 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.

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.13 Employee benefits (continued)

Other long-term employee benefits

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

The economic entity’s liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The economic entity recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

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

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

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

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

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

1.14 Provisions and contingencies

Provisions are recognised when:
- the economic entity 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.

Accounting Policies

1.14 Provisions and contingencies (continued)

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

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

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

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

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

Provisions are not recognised for future operating expenditure.

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

A constructive obligation to restructure arises only when the economic entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

1.15 Revenue from exchange transactions

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

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

Measurement

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

1.15 Revenue from exchange transactions (continued)

Interest and investment income

Revenue arising from the use by others of municipality assets yielding interest 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.

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

1.16 Revenue from non-exchange transactions

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

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.

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

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 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.

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

Recognition

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

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

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

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.

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

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.

1.17 Borrowing costs

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

Irregular expenditure 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.

All expenditure relating to irregular 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.

1.21 Grants in aid

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

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

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

1.22 Commitments

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

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

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

1.23 Budget information

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

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

The 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.

1.24 Related parties

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

Management is those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity 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 economic entity.

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

1.25 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

1.26 VAT

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods and services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

	Economic entity		Controlling entity	
Figures in Rand	2014	2013	2014	2013 Restated

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the economic entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the economic entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
  - all short-term employee benefits;
  - short-term compensated absences;
  - bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this standard (GRAP 25) and IAS 19(R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the economic entity to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

All amendments to be applied retrospectively.

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

The economic entity has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the amendment is not material.

2. New standards and interpretations (continued)

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments to be applied retrospectively.

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

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

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

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

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

The impact of the amendment is not material.

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

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

(a) exchange revenue (GRAP 9); and
(b) non-exchange revenue (GRAP 23).

All amendments to be applied prospectively.

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

The economic entity has adopted the interpretation for the first time in the 2014 annual financial statements.

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

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 20: Related Parties

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

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

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the economic entity and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

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

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

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

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

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

The standard elaborates on the definitions and identification of:

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

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

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

All amendments to be applied prospectively.

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

The economic entity expects to adopt the amendment for the first time in the 2015 annual financial statements.

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

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

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

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

The economic entity expects to adopt the amendment for the first time in the 2015 annual financial statements.

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

	Economic entity		Controlling entity	
Figures in Rand	2014	2013	2014	2013 Restated

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2 200	2 909	2 200	2 200
Bank balances	22 892 356	20 026 301	18 462 237	19 979 727
Short-term deposits	1 000	2 638 533	-	-
	22 895 556	**22 667 743**	**18 464 437**	**19 981 927**

None of the bank accounts were pledged as security.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - cheque account - 1340000117	14 692 987	4 041 011	5 579 247	14 375 267	4 041 011	5 113 096
Nedbank - fixed account - 000025	-	-	5 000 000	-	-	5 000 000
Nedbank - fixed account - 000026	-	-	5 000 000	-	-	5 000 000
Standard Bank - fixed account - 248538810007	-	5 000 000	-	-	5 000 000	-
ABSA - fixed account - 2073233315	-	5 000 000	-	-	5 000 000	-
ABSA call account - 92 7783 0198	5 974	-	-	5 974	-	-
ABSA - call account - 9275618908	-	5 938 716	-	-	5 938 716	-
ABSA Bank - call account - 9292006970	4 080 996	-	-	4 080 996	-	-
Cash on hand	2 200	2 200	2 200	2 200	2 200	2 200
Total	**18 782 157**	**19 981 927**	**15 581 447**	**18 464 437**	**19 981 927**	**15 115 296**

4. Other financial assets

At amortised cost				
African Bank fixed account The maturity date of the investment was 2013/07/02 and interest is earned at a rate of 5.80% per annum.	-	5 000 000	-	5 000 000
Standard bank fixed account There are two investments at year end each to the value of R5,000,000, the details are as follows: Account no: 248538810007 - maturity date 2014/07/01 at an interest rate of 5.80%. Account no: 248538810008 - maturity date 2014/09/02 at a interest rate of 5.90%.	10 093 580	-	10 093 580	-

	Economic entity		Controlling entity	
Figures in Rand	2014	2013	2014	2013 Restated

4. Other financial assets (continued)

Nedbank fixed account There are two investments at year end each to the value of R5,000,000, the details are as follows: Account no: 03/7662020096/000025 - maturity date 2014/07/01 at an interest rate of 5.85%. Account no: 03/7662020096/0000026 - maturity date 2014/09/02 at a interest rate of 6.00%.	10 096 760	10 000 000	10 096 760	10 000 000
FNB fixed account There are two investments at year end each to the value of R5,000,000, the details are as follows: Account no: 74446795864 - maturity date 2014/07/01 at an interest rate of 5.90%. Account no: 74457257994 - maturity date 2014/09/02 at a interest rate of 5.90%.	10 094 562	5 000 000	10 094 562	5 000 000
	30 284 902	**20 000 000**	**30 284 902**	**20 000 000**
Current assets				
At amortised cost	30 284 902	20 000 000	30 284 902	20 000 000

Although the maturity date of the investments indicate that the investments needs to be disclosed as cash and cash equivalent, the initial purpose of investments are considered for classifying the asset as a financial asset or a cash and cash equivalent asset.

None of the financial assets were pledged as security.

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 2				
African Bank fixed deposit	-	-	-	5 000 000
Standard Bank fixed deposit	-	-	10 093 580	-
Nedbank fixed deposit	-	-	10 096 760	10 000 000
FNB fixed deposit	-	-	10 094 562	5 000 000
	-	**-**	**30 284 902**	**20 000 000**

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2014	2013	2014	2013 Restated

5. Receivables from non-exchange transactions

Deposits	4 700	4 700	4 700	4 700
Payments made in advance	-	1 008	-	1 008
Sundry receivables	10 310 090	13 916 795	10 310 090	13 916 795
Less: Allowance for impairment	(9 455 229)	(12 370 047)	(9 455 229)	(12 370 047)
	859 561	**1 552 456**	**859 561**	**1 552 456**

Included in other receivables are irregular expenditure incurred during the financial year. Refer to note 43.

None of the receivables were pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions 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.

Receivables from non-exchange transactions past due but not impaired

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

> 3 months past due	-	-	859 561	1 552 456

Receivables from non-exchange transactions impaired

Reconciliation of allowance for impairment

Opening balance	-	-	12 370 047	10 592 346
Allowance for impairment	-	-	(2 914 819)	1 777 701
	-	**-**	**9 455 228**	**12 370 047**

Management is of the opinion that the carrying value of the sundry receivables are approximate their fair values.

The fair value of sundry receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial departments as well as sundry receivables. The current payment ratio's of sundry receivables were also taken into account for fair value determination.

6. VAT receivable

VAT	-	4 750	-	4 750

7. Property, plant and equipment

Economic entity	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 870 000	-	2 870 000	2 870 000	-	2 870 000
Buildings	73 139 926	(12 717 647)	60 422 279	73 139 926	(10 389 125)	62 750 801
Plant and machinery	719 620	(523 177)	196 443	-	-	-
Furniture and fixtures	4 100 028	(2 585 414)	1 514 614	149 334	(148 334)	1 000
Motor vehicles	1 836 551	(136 747)	1 699 804	1 424 480	(395 120)	1 029 360
Office equipment	6 520 470	(3 721 397)	2 799 073	97 137	(49 191)	47 946
IT equipment	32 868	(22 691)	10 177	67 384	(59 949)	7 435
Other property, plant and equipment	2 896 359	(1 567 319)	1 329 040	13 468 809	(5 802 273)	7 666 536
Minor plant	352 777	(177 477)	175 300	-	-	-
Total	**92 468 599**	**(21 451 869)**	**71 016 730**	**91 217 070**	**(16 843 992)**	**74 373 078**

Controlling entity	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 870 000	-	2 870 000	2 870 000	-	2 870 000
Buildings	73 139 926	(12 717 647)	60 422 279	73 139 926	(10 389 125)	62 750 801
Plant and machinery	719 620	(523 177)	196 443	-	-	-
Furniture and fixtures	3 953 976	(2 439 383)	1 514 593	-	-	-
Motor vehicles	1 836 551	(136 747)	1 699 804	1 424 480	(395 120)	1 029 360
Office equipment	6 429 971	(3 689 555)	2 740 416	-	-	-
Other property, plant and equipment	2 896 359	(1 567 319)	1 329 040	13 468 809	(5 802 273)	7 666 536
Minor plant	352 777	(177 477)	175 300	-	-	-
Total	**92 199 180**	**(21 251 305)**	**70 947 875**	**90 903 215**	**(16 586 518)**	**74 316 697**

Reconciliation of property, plant and equipment - Controlling entity - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Land	2 870 000	-	-	-	2 870 000
Buildings	62 750 801	-	-	(2 328 522)	60 422 279
Plant and machinery	319 283	6 946	(1 322)	(128 464)	196 443
Furniture and fixtures	2 173 585	50 255	(9 764)	(699 483)	1 514 593
Motor vehicles	1 029 360	1 197 481	(434 224)	(92 813)	1 699 804
Office equipment	3 404 034	682 084	(36 347)	(1 309 355)	2 740 416
Other property, plant and equipment	1 561 638	262 715	-	(495 313)	1 329 040
Emergency equipment	207 994	-	-	(32 694)	175 300
	74 316 695	**2 199 481**	**(481 657)**	**(5 086 644)**	**70 947 875**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Land	2 870 000	-	-	-	2 870 000
Buildings	65 134 034	48 640	-	(2 431 873)	62 750 801
Motor vehicles	1 119 845	200 000	(200 000)	(90 485)	1 029 360
Other property, plant and equipment	10 203 417	2 478 814	(1 008 131)	(4 007 564)	7 666 536
	79 327 296	**2 727 454**	**(1 208 131)**	**(6 529 922)**	**74 316 697**

Pledged as security

None of the assets were pledged as security.

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

8. Intangible assets

Economic entity	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	6 567 339	(4 956 902)	1 610 437	6 412 515	(3 392 333)	3 020 182
Computer software, other	27 281	(26 921)	360	27 281	(20 031)	7 250
Total	**6 594 620**	**(4 983 823)**	**1 610 797**	**6 439 796**	**(3 412 364)**	**3 027 432**

Controlling entity	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	6 567 339	(4 956 902)	1 610 437	6 412 515	(3 392 333)	3 020 182

Reconciliation of intangible assets - Controlling entity - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	3 020 182	154 824	(1 564 569)	1 610 437

Reconciliation of intangible assets - Controlling entity - 2013

	Opening balance	Disposals	Amortisation	Total
Computer software, internally generated	4 712 100	(1 076 734)	(615 184)	3 020 182

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

8. Intangible assets (continued)

Pledged as security

None of the assets were pledged as security.

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

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

9. Payables from exchange transactions

Trade payables	1 538 466	1 042 970	1 538 466	1 042 970
Accrued leave pay	4 202 293	4 265 028	4 202 293	4 265 028
Accrued bonus	-	50 780	-	-
Other accrued expenses	1 240	54 478	-	-
Retention creditors	184 249	87 293	184 249	87 293
Annual bonus accrued	1 096 285	1 064 010	1 096 285	1 064 010
Salaries and wages	-	13 313	-	-
Accrued leave	55 374	64 283	-	-
	7 077 907	**6 642 155**	**7 021 293**	**6 459 301**

10. Other financial liabilities

At amortised cost				
DBSA loan (61003236)	2 191 331	2 375 098	2 191 331	2 375 098
DBSA loan (61003237)	1 679 239	1 820 062	1 679 239	1 820 062
DBSA loan (61004020)	(20)	(20)	(20)	(20)
DBSA loan (61001256)	289 883	332 468	289 883	332 468
DBSA loan (61001257)	69 584	81 549	69 584	81 549
DBSA loan (61001258)	358 257	419 859	358 257	419 859
DBSA loan (61001259)	742 529	851 609	742 529	851 609
DBSA loan (61001299)	1 834 524	2 149 970	1 834 524	2 149 970
DBSA loan (61003159)	7 794 775	8 514 592	7 794 775	8 514 592
	14 960 102	**16 545 187**	**14 960 102**	**16 545 187**
Total other financial liabilities	**14 960 102**	**16 545 187**	**14 960 102**	**16 545 187**

These loans are from the Development Bank of South Africa and repayments are made on a six monthly basis. The last loan will be redeemed at 31 December 2020 and the loans bear interest between 10% and 16.5%.

The municipality did not default on any of the other financial liabilities, whether it be on the capital or the interest portions, and none of the terms attached to the other financial liabilities were renegotiated. Refer to Appendix A.

Non-current liabilities				
At amortised cost	13 113 088	14 960 102	13 113 088	14 960 102
Current liabilities				
At amortised cost	1 847 014	1 585 085	1 847 014	1 585 085

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

11. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by finding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates as unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by ZAQEN Consultants and Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

* Bonitas

* Hosmed

* Keyhealth

* LA Health

* Samwumed

The members of the post-employment health care benefit plan are made up as follows:

In service members (employees)	-	-	97	97
In service members (employees) - non - members	-	-	13	13
Continuation members (retirees, widowers and orphans)	-	-	1	1
	-	**-**	**111**	**111**

The amounts recognised in the statement of financial position are as follows:				
Employee benefit obligations	-	-	7 588 000	5 604 960

Movement in the present value of the employee benefit obligation				
Opening balance	-	-	5 604 960	5 522 750
Current service cost	-	-	637 084	438 517
Interest	-	-	547 041	485 730
Actuarial (gain) losses	-	-	829 915	(823 437)
Benefits paid by the plan	-	-	(31 000)	(18 600)
	-	**-**	**7 588 000**	**5 604 960**

The following main assumptions were used in performing the valuation at 30 June 2014

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

11. Employee benefit obligations (continued)

Discount rate	-	-	9,09 %	9,78 %
Consumer price inflation	-	-	7,19 %	6,59 %
Health care cost inflation	-	-	8,19 %	8,09 %
Net discount rate	-	-	0,83 %	1,56 %

Health care cost inflation

The effect of a one percent increase and decrease in the health care cost inflation rate is as follows:			**Increase 1%**	**Decrease 1%**
Employer benefit liability	-	-	7 801 000	7 281 000
Employer service cost	-	-	879 000	818 000
Employer interest cost	-	-	748 000	698 000

Long service awards

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by ZAQEN Consultants and Actuaries. The projected unit credit funding method has been used to determine the past - service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

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

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

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

Carrying value				
Present value of long service awards obligation	3 217 000	1 822 212	3 217 000	1 822 212
Non-current liabilities	(7 588 000)	(5 584 584)	(7 588 000)	(5 584 584)
Current liabilities	-	(20 376)	-	(20 376)
	(7 588 000)	**(5 604 960)**	**(7 588 000)**	**(5 604 960)**

Changes in the present value of the long service award obligation are as follows:

Opening balance	1 822 212	2 147 003	1 822 212	2 147 003
Benefits paid	(269 000)	(289 537)	(269 000)	(289 537)
Net expense recognised	1 663 788	(35 254)	1 663 788	(35 254)
	3 217 000	**1 822 212**	**3 217 000**	**1 822 212**

Net expense of the long service awards obligation recognised in the statement of financial performance

Opening balance (ignore)	(35 254)	-	(35 254)	-
Current service cost	289 980	266 288	289 980	266 288
Interest cost	126 473	142 896	126 473	142 896
Actuarial gains (losses)	1 247 335	(444 438)	1 247 335	(444 438)
	1 628 534	**(35 254)**	**1 628 534**	**(35 254)**

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

11. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8,06 %	7,35 %	8,06 %	7,35 %
Consumer price inflation	6,37 %	5,79 %	6,37 %	5,79 %
Salary increase rate	7,37 %	6,79 %	7,37 %	6,79 %
Net discount rate	0,64 %	0,53 %	0,64 %	0,53 %

Notes to the Annual Financial Statements

Figures in Rand

12. Provisions

Reconciliation of provisions - Controlling entity - 2014

	Opening Balance	Additions	Total
Performance bonus provision	381 341	460 966	842 307

Reconciliation of provisions - Controlling entity - 2013

	Opening Balance	Total
Performance bonus provision	381 341	381 341

Performance bonuses accrue to senior managers on an accrual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date and is dependent on the favourable performance of senior managers having met agreed conditions. The balance at year end includes the performance bonuses not paid to senior managers. The performance bonuses are expected to be paid in the next financial reporting period. There is no expected reimbursement from the provision.

The expected cash outflow of the performance bonus is within the next financial year dependent on the outcome of the performance assessment for the individual.

There is no expected reimbursement amounts from this provision.

13. VAT payable

VAT	2 469 131	1 449 842	27 227	-

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

14. Revenue

Interest received - trading	1 141 575	769 874	1 141 575	769 874
Other income	1 123 900	500 035	1 123 900	500 035
Government grants	1 174 398	2 254 149	-	-
Interest received - investment	3 010 559	2 511 604	2 824 496	2 425 189
Government grants and subsidies	103 760 000	100 511 840	103 760 000	100 511 840
	110 210 432	**106 547 502**	**108 849 971**	**104 206 938**

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

Interest received - trading	1 141 575	769 874	1 141 575	769 874
Other income - rollup	1 123 900	500 035	1 123 900	500 035
Government grants	1 174 398	2 254 149	-	-
Interest received - investment	3 010 559	2 511 604	2 824 496	2 425 189
	6 450 432	**6 035 662**	**5 089 971**	**3 695 098**

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

Grants and subsidies				
Government grants & subsidies	103 760 000	100 511 840	103 760 000	100 511 840

15. Other income

Other income	1 123 900	500 035	1 123 900	500 035

16. Investment revenue

Interest revenue				
Interest received - investment	3 010 559	2 511 604	2 824 496	2 425 189

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

17. Government grants and subsidies

Operating grants				
Equitable share	24 657 562	23 150 066	24 657 562	23 150 066
Financial Management Grant	1 250 000	1 307 681	1 250 000	1 307 681
Expanded Public Works Programme	1 000 000	1 000 000	1 000 000	1 000 000
Municipal Systems Improvement Programme Grant	890 000	1 092 159	890 000	1 092 159
Levy Replacement (Transitional) Grant	75 962 438	73 961 934	75 962 438	73 961 934
	103 760 000	100 511 840	103 760 000	100 511 840
	103 760 000	**100 511 840**	**103 760 000**	**100 511 840**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	2 140 000	2 399 840	2 140 000	2 399 840
Unconditional grants received	101 620 000	98 112 000	101 620 000	98 112 000
	103 760 000	**100 511 840**	**103 760 000**	**100 511 840**

Equitable Share

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

Financial Management Grant

Current-year receipts	1 250 000	1 250 000	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 250 000)	(1 250 000)	(1 250 000)	(1 250 000)
	-	-	-	-

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Expanded Public Works Programme

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

The Expanded Public Works Programme is a operational grant which is used by the municipality on its own discretion.

Municipal System Improvement Grant

Current-year receipts	890 000	1 000 000	890 000	1 000 000
Conditions met - transferred to revenue	(890 000)	(1 000 000)	(890 000)	(1 000 000)
	-	-	-	-

Levy Replacement (Transitional) Grant

Current-year receipts	75 962 438	73 961 934	75 962 438	73 961 934
Conditions met - transferred to revenue	(75 962 438)	(73 961 934)	(75 962 438)	(73 961 934)
	-	-	-	-

	Economic entity		Controlling entity	
Figures in Rand	2014	2013	2014	2013 Restated

17. Government grants and subsidies (continued)

The Levy Replacement (Transitional) Grant is a operational grant which is used by the municipality on its own discretion, which is mainly to fund its operational activities.

18. Employee related costs

Basic	32 539 773	28 663 719	31 053 997	27 132 125
Bonus - 13th cheque	3 229 478	2 488 472	3 192 277	2 410 245
Medical aid - company contributions	2 994 492	2 483 786	2 907 242	2 401 277
UIF	225 759	199 516	210 283	188 267
WCA	745 862	80 388	745 862	80 388
SDL	14 754	16 346	-	-
Leave pay provision charge	2 268 990	2 199 612	2 249 858	2 235 921
Defined contribution plans	3 611 653	(99 677)	3 611 653	(112 687)
Overtime payments	187 962	413 061	187 962	407 238
Travel allowance	5 281 735	4 695 541	5 281 735	4 695 541
Housing benefits and allowances	327 386	340 315	327 386	340 315
Cell phone allowance	234 618	274 413	234 618	274 413
Contribution to Pension and Providend funds	5 554 787	4 816 904	5 554 787	4 816 904
Executive packages	4 501 006	2 769 675	4 501 006	2 769 675
Standby allowances	165 000	126 000	165 000	126 000
Group life insurance	516 523	442 560	516 523	442 560
	62 399 778	**49 910 631**	**60 740 189**	**48 208 182**

Remuneration of Ms PME Kaota - Municipal Manager

Annual remuneration	-	-	737 739	-
Car allowance	-	-	202 134	-
Bonus - 13th cheque	-	-	61 478	-
Contributions to UIF, medical and pension funds	-	-	144 214	-
Cellphone allowance	-	-	36 000	-
Housing allowance	-	-	84 000	-
	-	**-**	**1 265 565**	**-**

Ms ME Kaota was appointed in July 2013 and replaced the Acting Municipal Manager Mr Pitso. Mr Pitso replaced Mr Mthombeni. Mr Mthombeni replaced Me Aaron.

Remuneration of Me NE Aaron - Municipal Manager				
Annual Remuneration (Jul 2012 - Nov 2012)	-	-	-	255 690
Car allowance	-	-	-	56 413
Bonus - 13th cheque	-	-	-	51 138
Contributions to UIF, Medical and Pension funds	-	-	-	67 740
Cell phone allowance	-	-	-	4 000
Housing allowance	-	-	-	25 000
	-	**-**	**-**	**459 981**

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

18. Employee related costs (continued)

Remuneration of Mr PK Pitso - Chief Finance Officer

Annual remuneration	-	-	546 040	393 107
Car allowance	-	-	119 249	113 078
Bonus - 13th cheque	-	-	33 333	-
Contributions to UIF, medical and pension funds	-	-	139 275	92 379
Acting allowance as MM	-	-	3 071	4 127
Housing allowance	-	-	60 000	33 500
Cell phone allowance	-	-	19 800	15 700
	-	**-**	**920 768**	**651 891**

Mr PK Pitso was appointed in October 2012 as Chief Finance Officer. He Replaced the Acting CFO - Mr Heunis.

Remuneration of Me N Gqoli - Acting Chief Finance Officer				
Acting allowance (Dec 2013)	-	-	3 071	13 384

Remuneration of Mr TA Jonas - Manager LED

Annual Remuneration	-	-	515 712	440 352
Car Allowance	-	-	120 000	221 884
Bonus - 13th cheque	-	-	33 705	-
Contributions to UIF, Medical and Pension Funds	-	-	124 129	51 684
Acting allowance	-	-	4 109	-
Housing allowance	-	-	56 703	10 892
Cell phone allowance	-	-	9 000	-
	-	**-**	**863 358**	**724 812**

Mr Jonas was appointed in February 2012 as the Manager - LED.

Remuneration of Mr TL Skele - Acting Manager LED				
Acting allowance (Sept 2013)	-	-	4 109	-

Remuneration of Mr MJ Mahlanyane - Manager Corporate Services

Annual Remuneration	-	-	360 000	-
Car Allowance	-	-	108 655	-
Contributions to UIF, Medical and Pension Funds	-	-	101 345	-
Cell phone allowance	-	-	11 400	-
	-	**-**	**581 400**	**-**

Mr Mahlanyane was appointed in October 2013 and replaced the Acting Manager Corporate Services - Mr Peterson.

Remuneration of Mr C Peterson - Acting Manager Corporate Services				
Acting allowance (Jul 2012 - Dec 2012)	-	-	-	5 815

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

18. Employee related costs (continued)

Remuneration of Mr MM Mthombeni - Manager Environmental Health and Disaster Management

Annual Remuneration	-	-	515 712	520 000
Car Allowance	-	-	103 452	142 907
Bonus - 13th cheque	-	-	40 376	37 695
Contributions to UIF, Medical and Pension Funds	-	-	137 380	135 426
Housing allowance	-	-	60 000	25 000
Acting allowance as MM (Dec 2012 - May 2013)	-	-	-	30 653
Cell phone allowance	-	-	13 000	13 971
	-	**-**	**869 920**	**905 652**

Mr Mthombeni was appointed in February 2012.

Remuneration of Mr D Kirsten - Acting Manager Environmental Health and Disaster Management				
Acting allowance	-	-	-	7 825

19. Remuneration of councillors

Executive mayor	846 004	831 328	846 004	831 328
Speaker	437 421	441 188	437 421	441 188
Mayoral committee members	39 883 412	3 608 238	3 983 412	3 608 238
Councillors	3 446 597	3 240 698	3 446 597	3 240 698
	44 613 434	**8 121 452**	**8 713 434**	**8 121 452**

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

19. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has the use of a council owned vehicle for official duties as well as two drivers.

Remuneration of Cllr Speelman - Executive Mayor				
Annual remuneration (from June 2014)	-	-	28 480	-
Travel allowance	-	-	12 022	-
Cellphone allowance	-	-	1 746	-
Contributions to UIF, medical aid and pension funds	-	-	5 061	-
	-	**-**	**47 309**	**-**

Remuneration of Cllr Leeto - Executive Mayor				
Annual remuneration (July 2012 - May 2014)	-	-	462 501	490 616
Travel allowance	-	-	188 922	196 283
Cellphone allowance	-	-	38 335	104 601
Contributions to UIF, medical aid and pension funds	-	-	108 546	39 828
	-	**-**	**798 304**	**831 328**

Remuneration of Cllr Olifant - Speaker				
Annual remuneration (June 2014)	-	-	31 294	-
Travel allowance	-	-	13 740	-
Cellphone allowance	-	-	1 739	-
Contributions to UIF, medical aid and pension funds	-	-	5 770	-
	-	**-**	**52 543**	**-**

Remuneration of Cllr Speelman - Speaker				
Annual remuneration (Jul 2013 - May 2014)	-	-	246 420	168 779
Travel allowance	-	-	94 461	63 792
Cellphone allowance	-	-	4 361	4 923
Contributions to UIF, medical aid and pension funds	-	-	39 998	27 660
	-	**-**	**385 240**	**265 154**

Remuneration of Cllr Rubulana - Speaker				
Annual remuneration (Jul 2012 - Oct 2012)	-	-	-	108 375
Travel allowance	-	-	-	40 945
Cellphone allowance	-	-	-	5 182
Contributions to UIF, medical aid and pension funds	-	-	-	20 797
	-	**-**	**-**	**175 299**

Executive members (7 members)				
Annual remuneration	-	-	2 367 647	2 169 658
Travel allowance	-	-	968 611	868 373
Cellphone allowance	-	-	112 449	105 212

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

19. Remuneration of councillors (continued)

Contributions to UIF, medical aid and pension funds	-	-	532 004	464 995
	-	**-**	**3 980 711**	**3 608 238**

Part time councillors (17 members)				
Annual remuneration	-	-	1 718 959	1 770 769
Travel allowance	-	-	698 491	693 492
Cellphone allowance	-	-	239 737	126 960
Contributions to UIF, PAYE, medical aid and pension funds	-	-	464 842	342 219
Session allowance	-	-	323 152	307 258
	-	**-**	**3 445 181**	**3 240 698**

20. Transfers to local municipalities

Expenditure during the financial year	1 563 049	1 950 000	1 563 049	1 950 000

The municipality paid loan repayments on behalf of Matjhabeng local municipality during the year.

21. Depreciation and amortisation

Property, plant and equipment	6 677 704	7 181 150	6 651 214	7 145 106

22. Impairment of assets

Impairments				
Receivables from non-exchange transactions	(2 911 381)	4 185	(2 911 381)	4 185

23. Finance costs

Non-current borrowings	-	7 653	-	-
Non-current financial liabilities	2 582 857	2 840 657	2 582 857	2 840 657
	2 582 857	**2 848 310**	**2 582 857**	**2 840 657**

24. Repairs and maintenance

Repairs and maintenance	404 943	438 257	404 943	438 257

25. Consulting and professional fees

Legal services	361 665	487 385	361 665	487 385
Consultant fees	1 287 079	1 362 136	1 287 079	1 362 136
	1 648 744	**1 849 521**	**1 648 744**	**1 849 521**

26. Grants and subsidies paid

Other subsidies				
Group co ID 1	2 500 000	2 500 000	2 500 000	2 500 000

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

27. General expenses

Accounting fees	90 988	121 456	-	-
Advertising	221 873	494 776	159 620	216 309
Agriculture project	35 365	1 277 050	-	1 242 050
Arts and culture	146 390	640 175	146 390	640 175
Auditors remuneration	2 064 398	1 885 160	2 015 513	1 720 781
Bank charges	64 699	71 341	57 853	63 098
Branding of the municipality	237 716	71 650	237 716	71 650
Bursaries	1 277 400	602 857	1 265 492	595 593
Campaigns	1 586 364	1 147 030	871 659	568 950
Children's programme	387 563	285 026	28 995	285 026
Cleaning	23 910	117 643	21 010	114 929
Co-operative development	810 000	-	810 000	-
Capacity development programme	855 473	973 785	855 473	973 785
Conferences and seminars	3 157	500	-	-
Educational project	760 906	541 722	760 906	541 722
Electricity	333 681	320 693	333 681	320 693
Entertainment	269 916	575 755	269 916	575 755
Environmental development	425 512	316 486	81 000	316 486
Expanded Public Works Programme	784 240	999 258	784 240	999 258
Festivals	2 195 514	3 254 386	2 195 514	3 254 386
Financial Management Reforms	1 234 110	1 232 125	1 234 110	1 232 125
Fuel and oil	322 268	320 571	322 268	320 571
Gender disability	292 300	43 850	292 300	43 850
Grant in aid	592 058	1 302 611	592 058	1 302 611
Insurance	152 559	136 496	147 459	134 203
Internet expenses	327 576	228 206	327 576	228 206
LED Development	88 464	500 000	88 464	500 000
Lease payments	231 639	212 000	231 639	212 000
Lease rentals on operating lease	132 323	136 063	-	-
National Freedom Day	455 224	-	455 224	-
Licence fees	198 324	264 882	198 324	264 882
Magazines, books and periodicals	1 528	70 410	1 528	70 410
Membership fees	525 250	479 063	525 250	479 063
Moral regeneration	258 464	227 626	246 962	196 820
OR Tambo games	661 260	500 000	661 260	500 000
Other expenses	1 641 294	1 710 967	1 641 294	1 710 318
PPP (call centre)	416	960 827	-	959 991
Poverty alleviation	500 000	678 200	500 000	678 200
Printing and stationery	441 278	465 670	429 239	442 720
Property rates	52 820	50 092	52 820	50 092
Refuse	10 071	9 412	10 071	9 412
Research and development costs	299 755	400 000	-	-
Security (Guarding of municipal property)	25 866	58 133	25 866	58 133
Sewerage and waste disposal	-	664	-	664
Software expenses	398 092	-	398 092	-
Staff welfare	4 974	10 394	-	-
Telephone and fax	551 610	523 752	521 244	472 332
Tourism development	600 000	728 174	600 000	728 174
Training	1 854 068	2 644 345	1 786 030	2 641 912
Transfer to the development agency	48 440	-	-	-
Skills development levy	453 671	375 820	436 181	372 230
Travel - overseas	17 050	-	-	-
Travelling	165 250	76 327	-	-
Women and children	-	370 000	-	370 000
Youth development	241 775	1 029 858	241 775	1 029 858
	25 354 842	**29 443 287**	**22 862 012**	**27 509 423**

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

28. Auditors' remuneration

Fees	2 064 398	1 885 160	2 015 513	1 720 781

29. Financial instruments disclosure

Categories of financial instruments

Controlling entity - 2014

Financial assets

	At amortised cost	Total
Other financial assets	30 284 902	30 284 902
Receivables from non-exchange transactions	859 561	859 561
Cash and cash equivalents	18 464 437	18 464 437
	49 608 900	**49 608 900**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	14 960 102	14 960 102
Payables from exchange transactions	7 021 293	7 021 293
	21 981 395	**21 981 395**

Controlling entity - 2013

Financial assets

	At amortised cost	Total
Other financial assets	20 000 000	20 000 000
Receivables from non-exchange transactions	1 552 456	1 552 456
Cash and cash equivalents	19 981 927	19 981 927
	41 534 383	**41 534 383**

Financial liabilities

	At amortised cost	Total
Other financial liabilities	16 545 187	16 545 187
Trade and other payables from exchange transactions	6 459 301	6 459 301
	23 004 488	**23 004 488**

	Economic entity		Controlling entity	
Figures in Rand	2014	2013	2014	2013 Restated

30. Cash generated from operations

Surplus	3 054 243	4 635 553	3 613 253	3 708 132
Adjustments for:				
Depreciation and amortisation	6 677 704	7 181 150	6 651 214	7 145 106
Gain (loss) on sale of assets and liabilities	481 657	(67 977)	481 657	(67 977)
Impairment (reversals) loss	(2 911 381)	4 185	(2 911 381)	4 185
Movements in retirement benefit assets and liabilities	3 377 828	(242 581)	3 377 828	(242 581)
Movements in provisions	460 966	-	460 966	-
Non-cash journals	(3 152 986)	(1 391 202)	(3 152 986)	(1 391 202)
Changes in working capital:				
Receivables from exchange transactions	(5 741)	(6 842)	-	-
Other receivables from non-exchange transactions	3 604 276	(929 563)	3 604 276	(930 395)
Payables from exchange transactions	2 000 306	2 884 420	561 992	1 684 420
VAT	1 024 039	1 625 905	31 977	1 124 603
Taxes and transfers payable (non exchange)	-	(23 190)	-	-
	14 610 911	**13 669 858**	**12 718 796**	**11 034 291**

31. Commitments

Authorised capital expenditure

Operating leases - as lessee (expense)

Minimum lease payments due for Toshiba copiers and fax				
- within one year	-	-	263 651	-
- in second to fifth year inclusive	-	-	43 942	-
	-	**-**	**307 593**	**-**

It is municipality policy to lease certain office equipment under operating leases. The lease term is 3 years at an annual rental. The lease will expire in August 2015.

Operating commitments

Professional fees	-	-	751 317	677 975

32. Contingencies

Contingent liabilities				
5 (2011:5) Current employees claiming long service bonus and leave as well as reinstatement of employee	-	-	-	1 403 528
Wager curve dispute	-	-	-	2 674 906
Dikgalabolokwe CC	-	-	-	100 000
Ex - Municipal Manager claiming termination benefits prior to the contract's expiry date	-	-	114 383	-
Current employee declared dispute	-	-	62 494	-
	-	**-**	**176 877**	**4 178 434**

The ex-Municipal Manager claimed termination benefits of the contract prior to its expiry date to the value of R114,383.

Current employee declared a dispute on the post level.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

33. Related parties

Relationships	
Controlled entity	Lejweleputswa Development Agency (SOC) Ltd
Members of management	Notes: 18, 19

Related party balances

Investments				
Investment in subsidiary			100	100
Transfers				
Lejweleputswa Development Agency (SOC) Ltd			2 500 000	2 500 000
Purchases from related parties				
Mayigubhe Trading Enterprise CC			-	500 000
Fair weather Trading			29 000	-

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

34. Prior period errors

The prior year has been amended to account for prior period errors.

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

1. Property plant and equipment restated

The asset report from prior year did not agree to the annual financial statements of 2013.

The effect of this adjustment on the prior year is as follows:

Adjustments affecting the statement of financial position				
Increase in net Property, plant and equipment	-	-		594 132
Decrease in intangibles	-	-		(100 067)
Increase in Accumulated Depreciation	-	-		(494 065)
	-	**-**		**-**

2. Unspent conditional grants

Grants were not treated according to GRAP 24 in the prior years.

The effect of these adjustments on the prior year are as follows:

Adjustments affecting the statement of financial position				
Decrease in accumulated surplus	-	-		581 039
Adjustments affecting the statement of financial performance				
Increase in grant income	-	-		(581 039)
	-	-		

Statement of Financial Performance for the year ended 2014	Balance as previously reported	Prior period error	Reclassified - note 35	Restated balance
Revenue				
Grant income	99 930 801	581 039	-	100 511 840
Total revenue	99 930 801	581 039	-	100 511 840

	Economic entity		Controlling entity	
Figures in Rand	2014	2013	2014	2013 Restated

34. Prior period errors (continued)

Statement of Financial Position as at 2014	Balance as previously reported	Prior period error	Reclassified - note 35	Restated balance
Assets				
Current Assets				
Cash and cash equivalents	14 981 927	-	5 000 000	19 981 927
Financial assets	25 000 000	-	(5 000 000)	20 000 000
Total current assets	39 981 927	-	-	39 981 927
Non-current Assets				
Property, plant and equipment	73 722 565	594 132	-	74 316 697
Intangible assets	3 120 248	(100 067)	-	3 020 181
Total non-current assets	76 842 813	494 065	-	77 336 878
Net Assets				
Accumulated surplus - Opening balance	87 569 048	371 670	-	87 940 718
Total net assets	87 569 048	371 670	-	87 940 718

35. Comparative figures

Certain comparative figures have been reclassified (refer to note 34) for the details of the reclassification. The reclassification was done on the ABSA call account. This was disclosed in the past as an investment and should have been disclosed as cash and cash equivalents.

36. Risk management

Financial risk management

The economic entity's activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk.

36. Risk management (continued)

Liquidity risk

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

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

Controlling entity

At 30 June 2014	Less than 1 year	Between 1 and 2 years	After 2 years
Financial liabilities	1 847 293	1 026 641	12 086 467
Payables from exchange transactions	7 021 293	-	-

At 30 June 2013	Less than 1 year	Between 1 and 2 years	After 2 years
Financial liabilities	1 585 085	1 846 995	13 113 107
Payables from exchange transactions	6 459 301	-	-

Credit risk

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

Cash and cash equivalents and investments - the municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa. The municipality does not expect any counterparty to fail to meets its obligation.

Receivables from non-exchange transactions - management evaluated credit risk relating to customers on an ongoing basis. If there is no independent rating, risk control assessess the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	Economic entity - 2014	Economic entity - 2013	Controlling entity - 2014	Controlling entity - 2013
Receivables from non-exchange transactions	-	-	859 561	1 552 456
Cash and cash equivalents	-	-	18 464 437	19 981 927
Financial assets	-	-	30 284 902	20 000 000

Market risk

Interest rate risk

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

The risk is managed on an on-going basis.

Notes to the Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2014	2013	2014	2013 Restated

37. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had a surplus of R 3 613 253 and the municipality's total assets exceed its liabilities by R 88 773 152.

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.

38. Events after the reporting date

There was no events after the reporting date, which needs to be disclosed.

39. Unauthorised expenditure

Opening balance	1 972 499	-	1 595 540	1 367 850
Unauthorised expenditure during the year	-	-	-	227 690
Amount condoned	(376 959)	-	-	-
	1 595 540	**-**	**1 595 540**	**1 595 540**

40. Fruitless and wasteful expenditure

Opening balance	374 611	309 520	288 680	288 680
Current year expenditure	48 440	65 091	-	-
Amount condoned	(85 931)	-	-	-
	337 120	**374 611**	**288 680**	**288 680**

The expenditure includes interest paid for late payment to suppliers.

41. Irregular expenditure

Opening balance	31 243 921	25 549 016	31 243 921	25 549 016
Add: Irregular Expenditure - councillors remuneration	1 392 769	1 504 455	1 392 769	1 504 455
Add: Irregular Expenditure - Supply chain	4 351 138	5 299 217	4 351 138	5 299 217
Add: Irregular Expenditure - Employee related cost	-	395 688	-	395 688
Current year expenses	52 326	-	-	-
Less: Amounts condoned	(52 326)	-	-	-
Less: Amounts recoverable (transferred to receivables)	(1 392 769)	(1 504 455)	(1 392 769)	(1 504 455)
	35 595 059	**31 243 921**	**35 595 059**	**31 243 921**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Councillors remuneration	Councillors qualify as Grade 4, but were paid as Grade 5 councillors.	1 392 769
Supply chain processes were not followed	These transactions will be investigated	4 351 138
		5 743 907

Notes to the Annual Financial Statements

Figures in Rand	Economic entity 2014	Economic entity 2013	Controlling entity 2014	Controlling entity 2013 Restated

41. Irregular expenditure (continued)

Details of irregular expenditure amounts recoverable (transferred to receivables)

Councillors Remuneration - councillors qualify as Grade 4, but were paid as Grade 5 councillors	1 504 455			
The full extend of the irregular expenditure for the year is still under investigating.				

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	-	-	508 194	479 063
Amount paid - current year	-	-	(508 194)	(479 063)
	-	**-**	**-**	**-**

Audit fees

Current year subscription / fee	-	-	2 015 513	1 720 781
Amount paid - current year	-	-	(2 015 513)	(1 720 781)
	-	**-**	**-**	**-**

PAYE, SDL and UIF

Current year subscription / fee	-	-	11 520 000	9 161 849
Amount paid - current year	-	-	(11 520 000)	(9 161 849)
	-	**-**	**-**	**-**

Pension and medical aid deductions

Medical aid	-	-	3 321 868	4 652 739
Pension fund	-	-	6 768 955	8 521 000
	-	**-**	**10 090 823**	**13 173 739**

VAT

VAT receivable	-	4 750	-	4 750
VAT payable	2 469 131	1 449 842	27 227	-
	2 469 131	**1 454 592**	**27 227**	**4 750**

VAT output payables and VAT input receivables are shown in note 6.

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

Councillors' arrear consumer accounts

There are no councillor accounts in arrears for a period greater than 90 days.

	Economic entity		Controlling entity	
Figures in Rand	**2014**	**2013**	**2014**	**2013 Restated**

43. 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.

Deviations according to the 5 categories in paragraph 36			**Rand value (2014)**	**Number of transactions (2014)**
Emergency	-	-	28 297	4
Supplies from sole supplier	-	-	25 588	6
In any other exceptional case where it is impractical / impossible to follow the SCM process	-	-	1 693 548	6
	-	**-**	**1 747 433**	**16**

44. Budget differences

Material differences between budget and actual amounts

Interest received - trading: the budgeted amount was net of impairment.

Interest received - investments - the amount budgeted for was based on a more conservative approach on a volatile market.

Lejweleputswa District Municipality Consolidation
Appendix A

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2013 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2014 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
Total external loans			-	-	-	-	-	-

Lejweleputswa District Municipality Consolidation
Lejweleputswa District Municipality Consolidation
Appendix B

Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

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Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

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Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

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Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Infrastructure														
Community Assets														

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Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														

Lejweleputswa District Municipality
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Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Agricultural/Biological assets														
Intangible assets														
Investment properties														
Total														

Lejweleputswa District Municipality Consolidation
Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin/Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Development/Economic Development/Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health/Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comm. & Social/Libraries and archives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety/Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities														
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Total														
Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Owned Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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Lejweleputswa District Municipality
Consolidation
Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated Depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-

Lejweleputswa District Municipality Consolidation
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Aug	Dec	Mar	Jun		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
Equitable share	National Treasury	26 389	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
Transitional Grang	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
FMG	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
MSIG	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
EPWP	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		26 389	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

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

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 were given unrestricted access to all financial records and related data.

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

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

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

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

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

The municipality depends on grants received from National Government (98%) as RSC levies were abolished in 2006.

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

The annual financial statements set out on pages 6 to 63, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on his behalf by:

Palesa Matshidiso Elizabeth Kaota
Municipal Manager
Date: 31 August 2014
WELKOM

Lejweleputswa District Municipality

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

	Cost				Accumulated depreciation				
Asset	**Opening balance**	**Additions**	**Disposals**	**Closing balance**	**Opening balance**	**Additions**	**Disposals**	**Closing balance**	**Carrying value**
Corporate Services	717,276	92,824	54,247	864,346	(361,524)	(141,047)	(35,653)	(538,224)	326,122
Council General	2,889,686	1,197,481	(781,914)	3,305,252	(1,246,265)	(372,014)	348,992	(1,269,287)	2,035,966
Economic Development	283,251	46,892	(3,936)	326,207	(132,598)	(56,046)	2,163	(186,481)	139,726
Environmental Health	674,893	212,931	31,671	919,494	(305,525)	(144,619)	(22,233)	(472,377)	447,117
Disaster Managent	17,203,009	90,281	41,486	17,334,777	(3,340,941)	(2,467,310)	(17,957)	(5,826,207)	11,508,570
Property	69,949,675	254,418	(29,388)	70,174,706	(11,161,860)	(2,620,466)	13,677	(13,768,649)	56,406,057
Executive Mayor	399,242	35,510	(12,631)	422,121	(169,903)	(78,638)	8,447	(240,093)	182,028
Finance Service	4,023,947	291,195	(100,125)	4,215,018	(2,688,363)	(520,005)	50,427	(3,157,941)	1,057,077
Municipal Support					(150)			(150)	(150)
Municipal Manager	592,899	89,103	(102,281)	579,722	(301,730)	(122,410)	61,941	(362,199)	217,522
Speaker	217,845	35,244		253,090	(104,433)	(43,664)		(148,097)	104,993
Mayoral Committee	364,007	8,424	11,348	383,779	(165,561)	(73,001)	60	(238,502)	145,277
	97,315,729	**2,354,305**	**(891,522)**	**98,778,512**	**(19,978,851)**	**(6,639,221)**	**409,865**	**(26,208,207)**	**72,570,305**

APPENDIX A

Lejweleputswa

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

Details	Interest rates	Loan number	Redeemable	Balance at 30 June 2013	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2014
				R	R	R	R
ANNUITY LOANS							
DBSA-61004020:Bothaville	10.00%	1	2013	-20		-	-20
DBSA-61001299:Henneman	15.00%	2(a)	2019	2,149,970		315,446	1,834,524
DBSA-61001258:Ventersburg	15.00%	2(b)	2019	419,859		61,602	358,257
DBSA-61001256: Boshoff	15.00%	2(c)	2019	332,468		42,584	289,884
DBSA-61001257: Dealesville	15.00%	2(d)	2019	81,549		11,965	69,584
DBSA-61001259:Wesselsbron	15.00%	2(e)	2019	851,609		109,080	742,529
DBSA-61003159:Bothaville2	16.50%	3(a)	2020	8,514,592		719,817	7,794,775
DBSA-61003236:Henneman2	15.75%	3(b)	2020	2,375,098		183,768	2,191,330
DBSA-61003237:Brandfort	15.75%	3(c)	2020	1,820,062		140,823	1,679,239
Total Annuity Loans				**16,545,187**	**-**	**1,585,085**	**14,960,102**
TOTAL EXTERNAL LOANS				**16,545,187**		**1,585,085**	**14,960,102**

Lejweleputswa District Municipality
Appendix B - Analysis of Property, plant and equipment as at 30 June 2013

	Cost				Accumulated depreciation				
Asset	**Opening balance**	**Additions**	**Disposals**	**Closing balance**	**Opening balance**	**Additions**	**Disposals**	**Closing balance**	**Carrying value**
Build									
Office building	72,878,299	48,640		72,926,939	(7,950,153)	(2,431,873)		(10,382,026)	62,544,914
Paving	212,987			212,987		(7,100)		(7,100)	205,887
	73,091,286	**48,640**		**73,139,926**	**(7,950,153)**	**(2,438,972)**		**(10,389,125)**	**62,750,801**
Intangible									
Computer Software	6,514,593	159,485	(261,565)	6,412,514	(1,702,428)	(1,947,505)	257,601	(3,392,333)	3,020,181
Land									
Vacant land	2,870,000			2,870,000					2,870,000
Motor									
Motor vehicles	1,154,814	200,000	(200,000)	1,154,814	(217,122)	(158,375)	79,187	(296,309)	858,505
Trucks / Bakkies	269,666			269,666	(87,513)	(11,297)		(98,811)	170,855
	1,424,480	**200,000**	**(200,000)**	**1,424,480**	**(304,635)**	**(169,672)**	**79,187**	**(395,120)**	**1,029,360**
Emergency equipment									
Emergency light	5,295			5,295	(2,573)	(970)		(3,544)	1,752
Fire equipment	347,481			347,481	(104,476)	(36,764)		(141,240)	206,242
	352,777			**352,777**	**(107,049)**	**(37,734)**		**(144,783)**	**207,993**
Furniture and equipment									
Cabinets / Cupboards	1,448,741	6,446		1,455,187	(404,387)	(260,919)		(665,306)	789,881
Chairs	1,150,278	44,959	(1,281)	1,193,956	(322,279)	(211,739)	577	(533,441)	660,515
Tables / Desks	1,263,747	18,593	(4,200)	1,278,141	(332,818)	(224,386)	2,252	(554,951)	723,189
	3,862,766	**69,998**	**(5,481)**	**3,927,283**	**(1,059,484)**	**(697,044)**	**2,829**	**(1,753,698)**	**2,173,585**
Office equipm									
Air conditioner	540,251	40,653	(10,054)	570,850	(155,186)	(107,685)	7,213	(255,658)	315,192
Computers	3,151,535	452,755	(51,616)	3,552,674	(872,984)	(736,306)	4,025	(1,605,266)	1,947,408
Ofice machines	1,650,150	59,792	(4,519)	1,705,423	(189,311)	(377,858)	3,181	(563,988)	1,141,435
	5,341,935	**553,201**	**(66,189)**	**5,828,947**	**(1,217,481)**	**(1,221,849)**	**14,418**	**(2,424,912)**	**3,404,035**
Other property, plant and equipment									
Access control	102,100			102,100	(28,761)	(18,378)		(47,139)	54,961
General		1,635		1,635		(222)		(222)	1,413
Miscellaneous	2,366,432	40,256		2,406,688	(547,791)	(422,050)	(150)	(969,992)	1,436,696
Security system	135,215			135,215	(43,069)	(23,577)		(66,646)	68,569
	2,603,747	**41,891**		**2,645,637**	**(619,621)**	**(464,228)**	**(150)**	**(1,083,999)**	**1,561,639**
Plant and equipment									
Compressors	7,355			7,355	(2,372)	(1,324)		(3,696)	3,659
Laboratory equipment	135,327			135,327	(33,433)	(24,778)		(58,212)	77,115
Lawnmowers	31,265			31,265	(9,231)	(5,628)		(14,860)	16,406
Radio equipment		4,474		4,474		(439)		(439)	4,034
Telecommunication	470,018			470,018	(203,628)	(84,585)		(288,213)	181,806
Television / Radios	62,324	525		62,849	(17,592)	(11,321)		(28,914)	33,936
Tools	3,544	1,275	(1,943)	2,876	(221)	(328)		(548)	2,328
	709,834	**6,274**	**(1,943)**	**714,166**	**(266,477)**	**(128,404)**		**(394,881)**	**319,284**
Total	**96,771,418**	**1,079,489**	**(535,178)**	**97,315,729**	**(13,227,328)**	**(7,105,409)**	**353,886**	**(19,978,851)**	**77,336,878**

Lejweleputswa District Municipality
Appendix B - Analysis of Property, plant and equipment as at 30 June 2014

Asset	Cost: Opening balance	Cost: Additions	Cost: Disposals	Cost: Closing balance	Accumulated depreciation: Opening balance	Accumulated depreciation: Additions	Accumulated depreciation: Disposals	Accumulated depreciation: Closing balance	Carrying value
Build									
Office building	72,926,939			72,926,939	(10,382,026)	(2,313,409)		(12,695,434)	60,231,505
Paving	212,987			212,987	(7,100)	(15,113)		(22,213)	190,774
	73,139,926			**73,139,926**	**(10,389,125)**	**(2,328,522)**		**(12,717,647)**	**60,422,279**
Intangible									
Computer Software	6,412,514	154,824		6,567,338	(3,392,333)	(1,564,569)		(4,956,902)	1,610,436
Land									
Vacant land	2,870,000			2,870,000					2,870,000
Motor									
Motor vehicles	1,154,814	1,197,481	(785,410)	1,566,885	(296,309)	(81,516)	351,186	(26,639)	1,540,246
Trucks / Bakkies	269,666			269,666	(98,811)	(11,297)		(110,108)	159,558
	1,424,480	**1,197,481**	**(785,410)**	**1,836,551**	**(395,120)**	**(92,813)**	**351,186**	**(136,747)**	**1,699,804**
Emergency equipment									
Emergency light	5,295			5,295	(3,544)	(970)		(4,514)	782
Fire equipment	347,481			347,481	(141,240)	(31,724)		(172,964)	174,517
	352,777			**352,777**	**(144,783)**	**(32,694)**		**(177,477)**	**175,299**
Furniture and equipment									
Cabinets / Cupboards	1,455,187	4,872		1,460,059	(665,306)	(260,106)		(925,412)	534,647
Chairs	1,193,956	22,514	(11,562)	1,204,907	(533,441)	(213,892)	6,771	(740,562)	464,345
Tables / Desks	1,278,141	22,869	(12,000)	1,289,010	(554,951)	(225,485)	7,027	(773,409)	515,600
	3,927,283	**50,255**	**(23,562)**	**3,953,976**	**(1,753,698)**	**(699,483)**	**13,798**	**(2,439,383)**	**1,514,593**
Office equipm									
Air conditioner	570,850	105,880	(37,240)	639,490	(255,658)	(112,145)	16,045	(351,759)	287,731
Computers	3,552,674	542,827	(43,819)	4,051,682	(1,605,266)	(816,654)	28,667	(2,393,253)	1,658,429
Ofice machines	1,705,423	33,377		1,738,800	(563,988)	(380,555)		(944,543)	794,257
	5,828,947	**682,084**	**(81,059)**	**6,429,971**	**(2,424,912)**	**(1,309,355)**	**44,712**	**(3,689,555)**	**2,740,417**
Other property, plant and equipment									
Access control	102,100			102,100	(47,139)	(18,373)		(65,512)	36,588
General	1,635	333		1,969	(222)	(322)		(543)	1,425
Miscellaneous	2,406,688	262,382		2,669,069	(969,992)	(441,147)		(1,411,139)	1,257,931
Security system	135,215			135,215	(66,646)	(23,479)		(90,125)	45,090
	2,645,637	**262,715**		**2,908,352**	**(1,083,999)**	**(483,320)**		**(1,567,319)**	**1,341,034**
Plant and equipment									
Compressors	7,355			7,355	(3,696)	(1,324)		(5,020)	2,335
Laboratory equipment	135,327			135,327	(58,212)	(24,778)		(82,989)	52,338
Lawnmowers	31,265			31,265	(14,860)	(5,628)		(20,488)	10,778
Radio equipment	4,474		(1,491)	2,982	(439)	(560)	169	(830)	2,153
Telecommunication	470,018			470,018	(288,213)	(84,416)		(372,629)	97,389
Television / Radios	62,849			62,849	(28,914)	(11,324)		(40,238)	22,612
Tools	2,876	6,946		9,822	(548)	(434)		(983)	8,839
	714,166	**6,946**	**(1,491)**	**719,620**	**(394,881)**	**(128,465)**	**169**	**(523,177)**	**196,443**
Total	**97,315,729**	**2,354,305**	**(891,522)**	**98,778,512**	**(19,978,851)**	**(6,639,221)**	**409,865**	**(26,208,207)**	**72,570,305**

Lejweleputswa District Municipality

Appendix F - Grants and Subsidies as at 30 June 2014

	Quarterly receipts				Quarterly expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
Name of Grants	**Sept**	**Dec**	**Mar**	**Jun**	**Sept**	**Dec**	**Mar**	**Jun**	
Municipal Sistems Improvement Grant	890,000				(890,000)				Yes
Financial Management Grant	1,250,000				(700,000)		(300,000)		Yes
Expanded Public Works Programme	400,000	300,000	300,000		(400,000)	(300,000)	(300,000)		Yes
Equitable share	10,026,389	8,167,481	6,463,693		(10,026,389)	(8,167,481)	(6,463,693)		Yes
Transitional Grant	32,030,611	25,161,519	18,770,307		(32,030,611)	(25,161,519)	(18,770,307)		Yes
	44,597,000	**33,629,000**	**25,534,000**	**-**	**(44,047,000)**	**(33,629,000)**	**(25,834,000)**	**-**	