UMZIMVUBU

LOCAL MUNICIPALITY

FINANCIAL STATEMENTS

30 JUNE 2014

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2013/14

MEMBERS OF THE UMZIMVUBU LOCAL MUNICIPALITY

COUNCILLORS

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4 MM Mpepanduku
5 M Mpakumpaku
6 X Jona
7 NM Mlenzana
8 M Jojo
9 ZJ Mendu
10 V Nyangane
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12 ZB Mtebele
13 CT Ndawo
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PROPORTIONAL

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NE Pakkies
T Mabindisa
MM Gwanya
AZ Gwebani
N Boyce
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LT Qasha
B Mngweba
NP Mlandu
UN Makanda
PK Thingathinga
TA Mambi
F Ntwakumba
ZO Sisilana
N Mbele
KS Phangwa
NN Gcadinja
VA Bulana
N Mpanda
SK Mnukwa
Z Ndevu
B Ripa
NA Matshongo

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APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 83-86 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. G.P.T. Nota
Municipal Manager

Date

These Financial Statements have not been audited

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LEGAL FORM

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

OBJECTIVES

The municipality strives, within its financial and administrative capacity, to achieve the following objects:

to provide democratic and accountable government for local communities
to ensure the provision of services to communities in a sustainable manner
to promote social and economic development
to promote a safe and healthy environment
to encourage the involvement of communities and community organisations in the matters of local government

GRADING

Grade 3

DEMARCATION CODE

EC 442

JURISDICTION

Greater Umzimvubu area which includes:
Mount Frere, Mount Ayliff
and
various rural areas

GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2014

Mayor	Speaker	Chief Whip
KS Pangwa	ZO Sisilana	N Mbele
Members		**Portfolio**
MV Nkqayi		Infrastructure and Planning
VA Bulana		Community Services
LT Qasha		Corporate Services
Z Ndevu		Budget and Treasury
EN Ngalonkulu - Lebelo		Communications and SPU
N Mpumlwana		Local Economic Development
N Nkula		Exco Member
PK Thingathinga		Exco Member

AUDITORS

Auditor-General
East London
Eastern Cape

BANKERS

First National Bank
Mount Frere

ATTORNEYS

REGISTERED OFFICE

Erf 813 Main Street Mount Frere	Private Bag X9020 Mount Frere 5090	Tel: (039) 255 0166 Fax: (039) 255 0167

Webpage: www.umzimvubu.gov.za

MUNICIPAL MANAGER

Mr. G.P.T. Nota

CHIEF FINANCIAL OFFICER

Mrs X. Venn

AUDITOR - GENERAL
SOUTH AFRICA

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UMZIMVUBU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Umzimvubu Local Municipality at 30 June 2014.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2013/14 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2014	2013
Surplus / (Deficit) for the year ended	79 704 465	14 391 226
Surplus / (Deficit) Accumulated as at	400 089 598	320 385 133
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	27.34%	22.80%
Remuneration of Councillors	8.30%	7.64%
Depreciation and Amortisation	18.11%	15.36%
Impairment Losses	1.35%	3.74%
Repairs and Maintenance	1.40%	1.34%
Interest Paid	1.15%	0.16%
Contracted Services	3.39%	3.23%
Grants and Subsidies Paid	2.02%	17.97%
General Expenses	28.37%	23.09%
Government Grants (Conditional)	8.38%	4.66%
Loss on Disposal of Property, Plant and Equipment	0.19%	0.02%
Current Ratio:		
Trade Creditors Days	35	38
Debtors	262	17

2.2 Performance Indicators:

INDICATOR	2014	2013
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	9.63%	1.30%
Liquidity Management:		
Liquidity Ratio	1.22	1.33
Liability Management:		
Capital Cost as percentage of Own Revenue	7.72%	2.45%
Financial Viability:		

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Debt Coverage	6.94	8.73
Cost Coverage	0.31	0.34
Financial Performance		
Expenditure Management:		
Creditors to Cash and Investments	28.33%	25.07%

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Umzimvubu Local Municipality can generally be classified as Rates and General and Economic Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2014 are as follows:

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	320 385 133	244 952 992	30.79	-	100.00
Operating income for the year	246 488 019	187 327 432	31.58	310 484 585	(20.61)
Appropriations for the year		17 433		-	-
	566 873 151	432 297 857	31.13	310 484 585	82.58
Expenditure:					
Operating expenditure for the year	166 783 553	172 936 206	(3.56)	191 828 355	(13.06)
Appropriations for the year		(61 023 481)		-	-
Closing surplus / (deficit)	400 089 598	320 385 133	24.88	118 656 230	237.18
	566 873 151	432 297 857	31.13	310 484 585	82.58
		0			

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	237 847 396	184 665 601	28.80	307 840 609	(22.74)
Expenditure	154 604 478	163 556 626	(5.47)	180 927 637	(14.55)
Surplus / (Deficit)	83 242 918	21 108 975	294.35	126 912 972	(34.41)
Surplus / (Deficit) as % of total income	35.00%	11.43%		41.23%	

3.2 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Percentage Variance %	Budgeted 2013/14 R	Variance actual/ budgeted %
Income	8 640 623	2 661 831	224.61	2 643 976	226.80
Expenditure	12 179 075	9 379 580	29.85	10 900 719	11.73
Surplus / (Deficit)	(3 538 452)	(6 717 749)	(47.33)	(8 256 743)	(57.14)
Surplus / (Deficit) as % of total income	(40.95)%	(252.37)%		(312.29)%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Assets during the year amounted to R134 029 239 (2012/13: R50 211 478). Full details of Assets are disclosed in Notes 9, 10, 11, 12 and Appendices "B, C and E (4)" to the Annual Financial Statements.

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2014	2013
Grants and Subsidies	90.93%	100.00%

Capital Assets are funded to a great extent from grants and subsidies as the municipality does not have the financial resources to finance infrastructure capital expenditure from its own funds.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	2014	2013
Variance per Category:		
Budgeted surplus before appropriations	118 656 230	25 461 047
Revenue variances	(63 996 566)	(40 470 767)
Expenditure variances:		
Employee Related Costs	1 657 785	4 019 068
Remuneration of Councillors	6 219	1 102 897
Depreciation and Amortisation	(3 745 173)	5 444 797
Impairment Losses	12 310 229	10 526 555
Repairs and Maintenance	266 556	368 911
Interest Paid	(79 226)	(235 306)
Contracted Services	177 105	647 586
Grants and Subsidies Paid	6 047 633	3 824 579
General Expenses	2 624 684	1 095 887
Government Grants (Conditional)	3 103 962	2 644 938
Loss on disposal of Property, Plant and Equipment	2 675 026	(38 986)
Actual surplus before appropriations	79 704 466	14 391 226

DETAILS	2014	2013
Variance per Service Segment:		
Budgeted surplus before appropriations	118 656 230	25 461 047
Executive and Council	3 108 953	920 859
Finance and Administration	(1 839 741)	1 487 139
Planning and Development	(52 084 800)	(17 162 942)
Community and Social Services	15 619	(1 263 871)
Public Safety	7 129 914	2 405 927
Waste Management	4 718 290	2 543 067
Actual surplus before appropriations	79 704 465	14 391 226

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Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

5.2 Capital Budget:

DETAILS	Actual 2013/14 R	Actual 2012/13 R	Variance actual 2013/14 / 2012/13 R	Budgeted 2013/14 R	Variance actual/ budgeted R
Executive and Council	129 003	910 058	(781 055)	315 000	(185 997)
Budget and Treasury	917 068	788 225	128 843	958 025	(40 957)
Corporate Services	877 622	-	877 622	1 394 420	(516 798)
Local Economic Development	3 941 271	-	3 941 271	5 660 281	(1 719 010)
Infrastructure and Planning	108 872 443	38 546 232	70 326 211	135 611 386	(26 738 943)
Community and Social Services	14 054 779	4 014 470	10 040 310	14 075 000	(20 221)
Waste Management	3 907 790	4 027 946	(120 155)	5 178 589	(1 270 799)
Public Safety	1 329 262	1 924 548	(595 286)	1 800 839	(471 577)
	134 029 239	50 211 478	83 817 760	164 993 540	(30 964 301)

Details of the results per segmental classification of capital expenditure are included in Appendix "C" and in Appendix "E (4)".

6. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2014 amounted to R400 089 598 (30 June 2013: R320 385 133) and is made up as follows:

Capital Replacement Reserve	5 014 475
Capital Contributions from Government	364 892 879
Accumulated Surplus	30 182 244
	400 089 598

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Government Contributions are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 21 and the Statement of Change in Net Assets for more detail.

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2014 was R32 995 163 (30 June 2013: R588 079).

Loans to the amount of R50 000 000 (2012/13: R0) was taken up during the financial year to enable the municipality to assist with bridging finance for the electification of the area.

Refer to Note 18 and Appendix "A" for more detail.

8. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R842 751 as at 30 June 2014 (30 June 2013: R868 290) and is made up as follows:

Long Service Awards Liability	842 751
	842 751

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 19 for more detail.

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9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R6 158 527 as at 30 June 2014 (30 June 2013: R5 621 [illegible]) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	6 158 527
	6 158 527

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 20 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R34 742 452 as at 30 June 2014 (30 June 2013: R37 072 945) and is made up as follows:

Provisions	Note 13	134 814
Payables from Exchange Transactions	Note 14	12 034 916
Payables from Non-exchange Transactions	Note 15	2 404 546
Unspent Conditional Grants and Receipts	Note 16	2 575 259
Current Portion of Long-term Liabilities	Note 18	17 592 917
		34 742 452

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R388 551 450 as at 30 June 2014 (30 June 2013: R284 963 933).

Refer to Note 9 and Appendices "B, C and E (4)" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 378 637 as at 30 June 2014 (30 June 2013: R1 421 313).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 10 and Appendix "B" for more detail.

13. INVESTMENT PROPERTY

The net value of Investment Properties were R20 411 575 as at 30 June 2014 (30 June 2013: R23 679 800).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 11 and Appendix "B" for more detail.

14. HERITAGE ASSETS

The net value of Heritage Assets were R17 719 as at 30 June 2014 (30 June 2013: R17 719).

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

Refer to Note 12 and Appendix "B" for more detail.

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15. CURRENT ASSETS

Current Assets amounted R64 469 208 as at 30 June 2014 (30 June 2013: R54 453 119) and is made up as follows:

Inventories	Note 2	378 389
Receivables from Exchange Transactions	Note 4	4 263 219
Receivables from Non-exchange Transactions	Note 5	10 395 098
VAT Receivable	Note 6	6 834 918
Cash and Cash Equivalents	Note 7	42 476 321
Operating Lease Assets	Note 8	121 263
		64 469 208

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

16. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 16 and 26, and Appendix "F" for more detail.

17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 60.

18. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

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CHIEF FINANCIAL OFFICER

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UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	Actual 2014 R	2013 Restated R
ASSETS			
Current Assets		**64 469 208**	**54 453 119**
Inventories	2	378 389	482 117
Receivables from Exchange Transactions	4	4 263 219	68 287
Receivables from Non-exchange Transactions	5	10 395 098	1 615 831
VAT Receivable	6	6 834 918	2 729 459
Cash and Cash Equivalents	7	42 476 321	49 447 451
Operating Lease Receivables	8	121 263	109 975
Non-Current Assets		**410 359 282**	**310 082 765**
Property, Plant and Equipment	9	388 551 450	284 963 933
Intangible Assets	10	1 378 537	1 421 313
Investment Property	11	20 411 575	23 679 800
Heritage Assets	12	17 719	17 719
Total Assets		**474 828 490**	**364 535 884**
LIABILITIES			
Current Liabilities		**34 742 452**	**37 072 945**
Provisions	13	134 814	72 985
Payables from Exchange Transactions	14	12 034 916	12 396 075
Payables from Non-exchange Transactions	15	2 404 546	688 203
Unspent Conditional Grants and Receipts	16	2 575 259	23 567 031
Current Portion of Long-term Liabilities	18	17 592 917	348 650
Non-Current Liabilities		**39 996 440**	**7 077 807**
Long-term Liabilities	18	32 995 163	588 079
Employee Benefit Liabilities	19	842 751	868 290
Non-current Provisions	20	6 158 527	5 621 438
Total Liabilities		**74 738 892**	**44 150 752**
Total Assets and Liabilities		**400 089 598**	**320 385 133**
NET ASSETS		**400 089 598**	**320 385 133**
Accumulated Surplus / (Deficit)	21	400 089 598	320 385 133
Total Net Assets		**400 089 598**	**320 385 133**

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UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2014 R	Actual 2013 Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	22	8 468 165	10 756 087
Fines	23	7 011 338	438 742
Licences and Permits	24	2 680 885	2 110 477
Income from Agency Services	25	1 392 701	1 295 379
Government Grants and Subsidies Received	26	217 028 021	163 875 404
Public Contributions and Donations	27	120 300	6 000
Revenue from Exchange Transactions			
Service Charges	28	1 325 645	2 116 831
Rental of Facilities and Equipment	29	1 804 263	1 537 225
Interest Earned - External Investments	30	3 173 126	2 250 781
Interest Earned - Outstanding Debtors	30	1 139 373	1 138 910
Other Revenue	31	1 946 952	1 801 598
Gains on Disposal of Property, Plant and Equipment		397 250	-
Total Revenue		**246 488 019**	**187 327 432**
EXPENDITURE			
Employee Related Costs	32	45 599 361	39 434 554
Remuneration of Councillors	33	13 847 864	13 219 975
Depreciation and Amortisation	34	30 206 134	26 555 203
Impairment Losses	35	2 249 770	6 473 445
Repairs and Maintenance	36	2 331 654	2 308 781
Finance Costs	37	1 914 921	255 966
Contracted Services	38	5 646 406	5 593 305
Grants and Subsidies Paid	39	3 371 167	31 075 421
General Expenses	40	47 322 460	39 923 731
Government Grants (Conditional)	41	13 968 844	8 056 859
Loss on Disposal of Property, Plant and Equipment	42	324 974	38 967
Total Expenditure		**166 783 553**	**172 936 206**
SURPLUS / (DEFICIT) FOR THE YEAR		**79 704 465**	**14 391 226**

Refer to Budget Statement for explanation of budget variances

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UMZIMVUBU LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual 2014 R	2013 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates		5 679 457	6 556 764
Government Grant and Subsidies		196 036 249	185 705 000
Public Contributions and Donations		120 300	6 000
Service Charges		3 119 903	809 636
Interest Received		3 876 225	2 367 222
Other Receipts		3 332 730	4 302 294
Payments			
Employee Related Costs		(45 563 071)	(38 631 188)
Remuneration of Councillors		(13 847 864)	(13 219 975)
Interest Paid		(1 914 921)	(255 966)
Suppliers Paid		(73 261 739)	(54 117 983)
Other Payments		(3 696 141)	(31 075 421)
NET CASH FLOWS FROM OPERATING ACTIVITIES	46	**73 881 130**	**62 446 384**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(133 538 709)	(46 819 453)
Purchase of Intangible Assets		(490 530)	(455 863)
Proceeds on Disposal of Property, Plant and Equipment		632 308	36 274
Proceeds on Sale of Land		2 893 322	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(130 503 609)**	**(47 239 042)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		50 000 000	-
Repayment of Borrowings		(348 650)	(318 749)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**49 651 350**	**(318 749)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(6 971 129)**	**14 888 593**
Cash and Cash Equivalents at Beginning of Period		49 447 451	34 558 858
Cash and Cash Equivalents at End of Period		42 476 321	49 447 451

UMZIMVUBU LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Description	Total
2013	
Balance at 30 June 2012	244 952 992
Correction of Error (Note 44)	61 040 914
Restated Balance 30 June 2012	**305 993 907**
Surplus / (Deficit) for 2012/13	14 391 226
Balance at 30 June 2013	**320 385 133**
2014	
Surplus / (Deficit) for the year 2013/14	79 704 465
Balance at 30 June 2014	**400 089 598**

Details on the movement of the Funds and Reserves are set out in Note 21.

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UMZIMVUBU LOCAL MUNICIPALITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	8 900 000	100 000	9 000 000	-	-	9 000 000	8 468 165	-	(531 835)	94.09	95.15
Fines	800 000	(100 000)	700 000	-	-	700 000	7 011 338	-	6 311 338	1 001.62	876.42
Licences and Permits	2 282 160	2 500	2 284 660	-	-	2 284 660	2 680 885	-	396 225	117.34	117.47
Income for Agency Services	1 110 000	-	1 110 000	-	-	1 110 000	1 392 701	-	282 701	125.47	125.47
Government Grants and Subsidies Received	94 896 000	135 843 334	230 739 334	-	(121 086 637)	109 652 697	156 655 085	-	47 002 388	142.86	165.08
Public Contributions and Donations	45 000	65 000	110 000	-	-	110 000	120 300	-	10 300	109.36	267.33
Revenue from Exchange Transactions											
Service Charges	1 500 000	-	1 500 000	-	-	1 500 000	1 325 645	-	(174 355)	88.38	88.38
Rental of Facilities and Equipment	1 264 862	69 863	1 334 725	-	(70 000)	1 264 725	1 804 263	-	539 538	142.66	142.65
Interest Earned - External Investments	230 000	570 000	800 000	-	-	800 000	3 173 126	-	2 373 126	396.64	1 379.62
Interest Earned - Outstanding Debtors	750 000	100 000	850 000	-	-	850 000	1 139 373	-	289 373	134.04	151.92
Other Income	13 802 773	3 678 964	17 481 737	-	(107 000)	17 374 737	1 946 952	-	(15 427 785)	11.21	14.11
Gains on Disposal of Property, Plant and Equipment	105 300	-	105 300	-	-	105 300	397 250	-	291 950	377.26	377.26
Profit on Sale of Land	750 000	-	750 000	-	(11 074)	738 927	0	-	(738 927)	0.00	0.00
Total Revenue	126 436 095	140 329 661	266 765 756	-	(121 274 711)	145 491 045	186 115 082	-	40 624 037	127.92	147.20
Expenditure											
Employee Related Costs	49 258 242	(2 877 551)	46 380 691	-	876 455	47 257 146	45 599 361	-	(1 657 785)	96.49	92.57
Remuneration of Councillors	13 816 931	(1)	13 816 930	-	37 153	13 854 083	13 847 864	-	(6 219)	99.96	100.22
Depreciation and Amortisation	30 000 000	-	30 000 000	-	(3 539 039)	26 460 961	30 206 134	3 745 173	3 745 173	114.15	100.69
Impairment Losses	11 200 000	-	11 200 000	-	3 359 999	14 559 999	2 249 770	-	(12 310 229)	15.45	20.09
Repairs and Maintenance	2 875 829	397 109	3 272 938	-	(674 729)	2 598 209	2 331 654	-	(266 556)	89.74	81.08
Finance Costs	20 000	-	20 000	-	1 815 695	1 835 695	1 914 921	79 226	79 226	104.32	9 574.60
Contracted Services	5 346 490	900 001	6 246 490	-	(422 979)	5 823 511	5 646 406	-	(177 105)	96.96	105.61
Grants and Subsidies Paid	4 628 800	78 883 000	83 511 800	-	(74 093 000)	9 418 800	3 371 167	-	(6 047 633)	35.79	72.83
General Expenses	46 829 803	4 453 297	51 283 100	-	(1 335 956)	49 947 144	47 322 460	-	(2 624 684)	94.75	101.05
Government Grants (Conditional)	3 660 000	13 573 807	17 233 807	-	(161 000)	17 072 807	13 968 844	-	(3 103 962)	81.82	381.66
Loss on Disposal of Property, Plant and Equipment	-	3 000 000	3 000 000	-	-	3 000 000	324 974	-	(2 675 026)	10.83	0.00
Total Expenditure	167 636 095	98 329 661	265 965 756	-	(74 137 400)	191 828 355	166 783 553	3 824 399	(25 044 802)	86.94	99.49
Surplus/(Deficit)	(41 200 000)	42 000 000	800 000	-	(47 137 310)	(46 337 310)	19 331 529	(3 824 399)	65 668 839	0.00	0.00
Transfers Recognised - Capital	141 781 000	(95 954 097)	45 826 903	-	119 166 637	164 993 540	60 372 936	-	(104 620 604)	36.59	42.58
Surplus/(Deficit for the Year	100 581 000	(53 954 097)	46 626 903	-	72 029 327	118 656 230	79 704 465	(3 824 399)	(38 951 764)	67.17	79.24

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates:

Write off of Municipal owned properties, church properties , and RDP properties

Fines:

Implimentation of GRAP 23 with reference to IGRAP1.

Licences and Permits:

Increased collection levels

Income for Agency Services:

Income for Agency Services exceeded budgetary expectations.

Government Grants and Subsidies Received:

Unspent conditional grants fro previous years were spend during the year and therefore increased the revenue acknowledged from said grants.

Public Contributions and Donations:

More donations than expected was received by the Municipality

Service Charges:

Write off of services from Municipal owned properties.

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Rental of Facilities and Equipment:

Outstanding amounts was received during the year.

Interest Earned - External Investments:

Interest Earned exceeded the budgetary expectations due to unspent grants invested.

Interest Earned - Outstanding Debtors:

It was budgeted only for the portion of interest expected to be paid by debtors.

Other Income:

Included in budgeted income are operating savings from previous periods which are already transferred to the Accumulated Surplus. This is to present a balance budget (not with a deficit to comply with the MFMA) but actual amounts will exclude this as these amounts have been acknowledge as revenue before during previous financial years.

Gains on Disposal of Property, Plant and Equipment:

It is never sure how much the sale of PPE will generate from auctions and accordingly the budget was concervative.

Profit on Sale of Land:

Land Sales ended up being a loss due to the sale of property under market value for the development of low cost housing.

Depreciation and Amortisation:

Depreciation and Amortisation increased beyond budgetary expectations because of the review of remaining useful lives of assets.

Impairment Losses:

The budget included amounts which was expected to be written off during the year. The Provision for Impairment however was more than enough to cater for this expense.

Repairs and Maintenance:

Some repairs and maintenance were capital by nature and therefore capitalise as assets.

Finance Costs:

A loan was taken up from the DBSA for assistance with the electrification of the area. No interest was budgeted for this loan.

Grants and Subsidies Paid:

Over budgeted for Indigent Subsidies paid.

Loss on Disposal of Property, Plant and Equipment:

The possible loss was determined with the Adjustments Budget to be R3 million when it became known that property will be sold for under market value. The loss on the sale of the specific property was less and other land sales covered part of the loss.

Transfers Recognised - Capital:

Capital Transfers are included in the budget for Government Grants and Subsidies Received above.

30 June 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION											
Executive and Council	280 000	159 000	439 000	-	(124 000)	315 000	129 003	-	(185 997)	40.95	46.07
Budget and Treasury	650 000	300 000	950 000	-	8 025	958 025	917 068	-	(40 957)	95.72	141.09
Corporate Services	700 000	607 900	1 307 900	-	86 520	1 394 420	877 622	-	(516 798)	62.94	125.37
Local Economic Development	2 550 000	3 110 281	5 660 281	-	-	5 660 281	3 941 271	-	(1 719 010)	69.63	154.56
Infrastructure and Planning	132 366 000	(101 382 117)	30 983 883	-	104 627 503	135 611 386	108 872 443	-	(26 738 943)	80.28	82.25
Community and Social Services	35 000	35 000	70 000	-	14 005 000	14 075 000	14 054 779	-	(20 221)	99.86	40 156.51
Waste Management	4 250 000	365 000	4 615 000	-	563 589	5 178 589	3 907 790	-	(1 270 799)	75.46	91.95
Public Safety	950 000	850 839	1 800 839	-	-	1 800 839	1 329 262	-	(471 577)	73.81	139.92
Total Capital Expenditure	141 781 000	(95 954 097)	45 826 903	-	119 166 637	164 993 540	134 029 239	-	(30 964 301)	81.23	94.53

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

Executive and Council:

Savings realised on capital items budgeted for and not procured.

Planning and Development:

Some projects delayed and expenditure overlapped to the next financial year.

Public Safety:

Savings realised on capital items budgeted for and not procured.

Waste Management:

E/S and MIG Projects not finalised - Budget rolled over to 2013/14 for completion in there next financial year.

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Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	8 432 000	-	8 432 000	-	-	8 432 000	10 756 087	-	2 324 087	127.56	127.56
Fines	863 681	(463 681)	400 000	-	-	400 000	438 742	-	38 742	109.69	50.80
Licences and Permits	2 208 553	(6 660)	2 201 893	-	-	2 201 893	2 110 477	-	(91 416)	95.85	95.56
Income for Agency Services	943 200	-	943 200	-	-	943 200	1 295 379	-	352 179	137.34	137.34
Government Grants and Subsidies Received	77 196 965	42 292 770	119 489 735	-	(2 984 000)	116 505 735	144 198 827	-	27 693 092	123.77	186.79
Public Contributions and Donations	-	-	-	-	-	-	6 000	-	6 000	0.00	0.00
Revenue from Exchange Transactions											
Service Charges	1 000 000	-	1 000 000	-	-	1 000 000	2 116 831	-	1 116 831	211.68	211.68
Rental of Facilities and Equipment	1 143 656	55 460	1 199 116	-	-	1 199 116	1 537 225	-	338 109	128.20	134.41
Interest Earned - External Investments	3 729 994	(3 517 341)	212 653	-	3 689 000	3 901 653	2 250 781	-	(1 650 872)	57.69	60.34
Interest Earned - Outstanding Debtors	270 138	465 304	735 442	-	-	735 442	1 138 910	-	403 468	154.86	421.60
Other Income	13 885 100	3 479 431	17 364 531	-	-	17 364 531	1 801 598	-	(15 562 933)	10.38	12.98
Gains on Disposal of Property, Plant and Equipment	105 400	(5 400)	100 000	-	400	100 400	-	-	(100 400)	0.00	0.00
Profit on Sale of Land	295 120	-	295 120	-	-	295 120	-	-	(295 120)	0.00	0.00
Total Revenue	110 073 807	42 299 883	152 373 690	-	705 400	153 079 090	167 650 856	-	14 571 766	109.52	152.31
Expenditure											
Employee Related Costs	60 240 718	(576 005)	59 664 714	-	(16 211 092)	43 453 622	39 434 554	-	(4 019 068)	90.75	65.46
Remuneration of Councillors	-	-	-	-	14 322 872	14 322 872	13 219 975	-	(1 102 897)	92.30	0.00
Depreciation and Amortisation	23 350 000	8 650 000	32 000 000	-	-	32 000 000	26 555 203	-	(5 444 797)	82.99	113.73
Impairment Losses	7 324 000	2 676 000	10 000 000	-	7 000 000	17 000 000	6 473 445	-	(10 526 555)	38.08	88.39
Repairs and Maintenance	2 519 464	(36 502)	2 482 962	-	194 730	2 677 692	2 308 781	-	(368 911)	86.22	91.64
Finance Costs	17 918	2 922	20 840	-	(180)	20 660	255 966		235 306	1 238.96	1 428.54
Bulk Purchases	-	-	-	-	-	-	-	-	-	0.00	0.00
Contracted Services	2 200 000	671 500	2 871 500	-	3 369 391	6 240 891	5 593 305	-	(647 586)	89.62	254.24
Grants and Subsidies Paid	33 600 000	1 300 000	34 900 000	-	-	34 900 000	31 075 421	-	(3 824 579)	89.04	92.49
General Expenses	39 384 994	2 846 883	42 231 877	-	(1 212 259)	41 019 618	39 923 731	-	(1 095 887)	97.33	101.37
Government Grants (Conditional)	3 717 000	6 484 797	10 201 797	-	500 000	10 701 797	8 056 859	-	(2 644 938)	75.29	216.76
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	38 967		38 967	0.00	0.00
Total Expenditure	172 354 095	22 019 595	194 373 690	-	7 963 462	202 337 152	172 936 206	-	(29 400 946)	85.47	100.34
Surplus/(Deficit)	(62 280 287)	20 280 288	(42 000 000)	-	(7 258 062)	(49 258 062)	(5 285 350)	-	43 972 712	0.00	0.00
Transfers Recognised - Capital	97 531 035	(22 811 926)	74 719 109	-	-	74 719 109	19 676 576		(55 042 533)	26.33	20.17
Surplus/(Deficit for the Year	35 250 748	(2 531 638)	32 719 109	-	(7 258 062)	25 461 047	14 391 226	-	(11 069 821)	56.52	40.83

Financial Performance: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Property Rates:

This is due to the anticipation of the culture of non-payment by the consumers, and also consumers were hesitant to pay as they had queries on their accounts. The achieved percentage is as the result of revenue enhancement strategies employed by the management as to ensure a healthy relations with the ratepayers.

Income for Agency Services:

This can be attributed to the turnaround time by community safety department and also the efficiency by the officials which draws consumers from the neighbouring municipalities.

Service Charges:

It is as the result of the inclusion of the mall which the municipality has started billing, and also community services has started with the implement their waste management plan.

Rental of Facilities and Equipment:

This is as result of a revised contract which was entered to by the municipality with Departments of Transport, Sport Arts and Culture after we have approved the 2012/13 Adjustment Budget. This revision resulted to revi[illegible] rentals.

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Interest Earned - External Investments:

Investments held more than budgeted for.

Interest Earned - Outstanding Debtors:

A decision was taken to write off old debts, and this initiative encouraged consumers to pay their debts with interest emanating from the two previous financial year.

Other Income:

Included in budgeted income are operating savings from previous periods which are already transferred to the Accumulated Surplus. This is to present a balance budget (not with a deficit t[illegible] comply with the MFMA) but actual amounts will exclude [illegible] as these amounts have been acknowledge as revenue before during previous financial years.

Gains on Disposal of Property, Plant and Equipment:

Gains not budgeted for.
Profit on Sale of Land:
Land Sale not budgeted for.
Finance Costs:
This is due to interest charged on finance leases, which we budgeted for it on fleet rentals services.
Loss on Disposal of Property, Plant and Equipment:
Loss on sale –Auction results that were not favourable to the Municipality.

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE PER FUNCTION						0	0				
Executive and Council	195 230	612 770	808 000	-	-	808 000	910 058		102 058	112.63	466.15
Budget and Treasury	2 054 079	(362 063)	1 692 016	-	-	1 692 016	788 225	-	(903 791)	46.58	38.37
Corporate Services		-		-	-				-	0.00	0.00
Infrastructure and Planning	92 808 486	(23 962 633)	68 845 853	-	-	68 845 853	38 546 232		(30 299 621)	55.99	41.53
Community and Social Services	31 620	-	31 620	-	-	31 620	4 014 470		3 982 850	12 695.98	12 695.98
Waste Management	1 031 620	600 000	1 631 620	-	-	1 631 620	4 027 946		2 396 326	246.87	390.45
Public Safety	1 410 000	300 000	1 710 000	-	-	1 710 000	1 924 548		214 548	112.55	136.49
Total Capital Expenditure	97 531 035	(22 811 926)	74 719 109	-	-	74 719 109	50 211 478	-	(24 507 631)	67.20	51.48

Capital Expenditure per Function: Explanation of Variances between Approved Budget and Actual
Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure per Function are explained below:

The budget adjustments was mainly due to the Electrification Grant expenditure originally included in the capital budget and should have been operational as no assets were created which the municipality has ownership of.

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2013/14		2012/13
	R		R
Net surplus/(deficit) per the statement of financial performance	79 704 465		14 391 226
Revenue from Non-exchange Transactions			
Property Rates	531 835		(2 324 087)
Fines	(6 311 338)		424 940
Licences and Permits	(396 225)		98 075
Revenue for Agency Services	(282 701)		(352 179)
Government Grants and Subsidies Received	57 618 215		10 852 596
Public Contributions and Donations	(10 300)		(6 000)
Revenue from Exchange Transactions			
Service Charges	174 355		(1 116 831)
Rental of Facilities and Equipment	(539 638)		(393 568)
Interest Earned - External Investments	(2 373 128)		1 479 214
Interest Earned - Outstanding Debtors	(289 373)		(868 772)
Other Revenue	15 427 785		12 083 502
Gains on Disposal of Property, Plant and Equipment	(291 950)		105 400
Profit on Sale of Land	738 927		295 120
Expenditure			
Employee Related Costs	(1 657 785)		(20 806 165)
Remuneration of Councillors	(6 219)		13 219 975
Collection Costs	-		-
Depreciation and Amortisation	3 745 173		3 206 203
Impairment Losses	(12 310 229)		(850 555)
Repairs and Maintenance	(288 558)		(210 684)

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Finance Costs	79 226	238 048
Bulk Purchases	-	-
Contracted Services	(177 105)	3 393 305
Grants and Subsidies Paid	(6 047 633)	(2 524 579)
General Expenses	(2 624 684)	538 737
Government Grants (Conditional)	(3 103 962)	4 339 859
Loss on Disposal of Property, Plant and Equipment	(2 675 026)	38 957
Net surplus/deficit per approved budget	118 656 230	35 260 748

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1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

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

For the years ended 30 June 2013 and 30 June 2014 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

(a) Is required by a Standard of GRAP; or
(b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

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

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

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

1.2.1 Revenue Recognition

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

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

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on Financial Assets Classification and Accounting Policy 8.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

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

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1.2.3 Impairment of Financial Assets

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

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

  The total increase in estimation of the impairment of Receivables from Exchange Transactions and that of Receivables from Non-exchange Transactions are disclosed in Notes 4 and 5 to the Annual Financial Statements.

1.2.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3 , 4.2 and 5.2 the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.2.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 7 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 9.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

1.2.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.7 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

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1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

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

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor - issued December 2009
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010
- GRAP 108 Statutory Receivables - issued December 2009

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance. This date is not currently available.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. NET ASSETS

2.1 Accumulated Surplus

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.

2.1.2 Capital Contributions from Government

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

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3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

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 year.

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

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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.

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

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

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

3.2 Subsequent Measurement

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

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. 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.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Buildings	25 - 100		**Other**	
	Mobile Offices	5 - 10		Specialist Vehicles	5 - 20
				Other Vehicles	5 - 10
	Infrastructure			Office Equipment	3 - 7
	Roads and Paving	45 - 50		Furniture and Fittings	5 - 10
	Gravel Roads	3 - 10		Watercraft	15
	Landfill Sites	10 - 65		Bins and Containers	5
				Specialised Plant and Equipment	10 - 15
	Community			Other items of Plant and Equipment	2 - 5
	Security	5 - 10			
	Recreational Facilities	15 - 60		Library Books	5 - 20

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

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

3.6 Incomplete Construction Work

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

3.7 Leased Assets

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

3.8 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. INTANGIBLE ASSETS

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

(a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
(b) Management intends to complete the Intangible Asset and use or sell it;
(c) There is an ability to use or sell the Intangible Asset;
(d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
(e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
(f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as Intangible Assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

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Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to bring the Intangible Asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an Intangible Asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	4		Website	5

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 on Impairment of Assets, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

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

4.3 Derecognition

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

5. INVESTMENT PROPERTY

5.1 Initial Recognition

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

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

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale.

(a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
(b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
(c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
(d) A property owned by the municipality and leased out at a below market rental; and
(e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

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

(a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
(b) Property being constructed or developed on behalf of third parties;
(c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
(d) Property that is leased to another entity under a finance lease;
(e) Property held to provide goods and services and also generates cash inflows; and
(f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

5.2 Subsequent Measurement

Investment Property is measured using the Cost Model and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property, which is estimated at 25 - 100 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. HERITAGE ASSETS

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

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

6.1 Initial Recognition

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

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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6.2 Subsequent Measurement

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

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

6.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

6.4 Transitional Provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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 recoverable amount of the cash generating unit to which the asset belongs is determined.

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

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.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

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

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

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

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost 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 Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

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8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.

- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
  (i) Derivatives;
  (ii) Combined instruments that are designated at fair value;
  (iii) Instruments held for trading;
  (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
  (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.

- **Financial Assets measured at Cost** are investments in residual interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Fair Value
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Fair Value.

8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

(i) Financial Liabilities measured at Fair Value;
(ii) Financial Liabilities measured at Amortised Cost; or
(iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost
Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value
Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value
Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost
Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

8.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

8.4.2 Financial Assets 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 shall not be reversed.

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8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the 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, in the Statement of Financial Performance.

9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the weighted average cost of commodities.

9.2.2 Other Arrangements

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

10.1 Initial Recognition

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.

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10.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in the Statement of Financial Performance.

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

11. REVENUE RECOGNITION

11.1 General

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

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

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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

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

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

11.2.2 Rentals Received

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

11.2.3 Finance Income

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

11.2.4 Tariff Charges

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

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11.2.5 Revenue from Agency Services

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

11.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates and Taxes

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

11.3.2 Fines

Fines are accounted for in accordance with GRAP 23 and from the current year the interpretation was done in accordance with IGRAP 1 as detailed below.

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

11.3.3 Public Contributions

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

11.3.4 Government Grants and Receipts

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. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

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

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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

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

12.1 Provision for Environmental Rehabilitation

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

13. EMPLOYEE BENEFIT LIABILITIES

The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed.

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and/is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

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13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

Long-service Allowance
The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

14. LEASES

14.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

14.2 The Municipality as Lessee

14.2.1 Finance Leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

14.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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14.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

14.4 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

15. GRANTS-IN-AID

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

(a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
(b) Expect to be repaid in future; or
(c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

16. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

17. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for 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.

18. 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), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure 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.

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20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

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

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

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

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

23. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

24. RELATED PARTIES

The municipality changed its Accounting Policy from IPSAS 20 to GRAP 20 with no effect on the financial information previously disclosed.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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25. EVENTS AFTER THE REPORTING DATE

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

26. COMPARATIVE INFORMATION

26.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

26.2 Prior Year Comparatives

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

26.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2013 to 30 June 2014.

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	2014 R	2013 R

1. GENERAL INFORMATION

Umzimvubu Local Municipality (the municipality) is a local government institution in Mount Frere, Eastern Cape Province, and is one of the local municipalities under the jurisdiction of the Alfred Nzo District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2014 R	2013 R
Consumable Stores - Stationery	354 594	482 117
Property Stock	23 796	-
Total Inventories	**378 389**	**482 117**

Stationery is held for own use and measured at the lower of Cost and Current Replacement Cost.

The cost of Inventories recognised as an expense during the period was R 1 647 163 (30 June 2014: R 1 065 754).

Inventories are expected to be utilised within 12 months after the reporting date

The municipality developed two subdivided portions of land into residential and commercial properties of which some were sold during the year. It is the intention to sell the remaining properties during the next twelve months.

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. NON-CURRENT ASSETS HELD-FOR-SALE

	2014 R	2013 R
Property Held-for-Sale - at cost	-	-

Non-current Assets Held-for-Sale have been restated to adhere to the disclosure provisions of IAS 2. Refer to Note 44 on "Correction of Error" for details of the restatement.

4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2014	Gross Balances R	Provision for Impairment R	Net Balances R
Service Debtors:	5 238 445	4 102 210	1 136 235
Refuse	5 238 445	4 102 210	1 136 235
Other Receivables	4 662 180	1 535 196	3 126 984
Value Added Tax (VAT)	1 461 767	1 302 599	159 167
Land sales	2 575 870	232 596	2 343 274
Other Debtors	624 543		624 543
Total Receivables from Exchange Transactions	**9 900 625**	**5 637 406**	**4 263 219**

As at 30 June 2013	Gross Balances R	Provision for Impairment R	Net Balances R
Service Debtors:	9 217 673	9 166 715	50 958
Refuse	9 217 673	9 166 715	50 958
Other Receivables	1 525 483	1 508 155	17 328
Value Added Tax (VAT)	1 299 441	1 275 559	23 882
Land sales	232 596	232 596	-
Other Debtors	(6 554)		(6 554)
Total Receivables from Exchange Transactions	**10 743 156**	**[illegible] 870**	**68 287**

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

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	2014	2013
	R	R

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

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

4.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Refuse:					
Gross Balances	90 768	86 269	83 260	4 978 149	5 238 445
Less: Provision for Impairment	58 885	58 936	58 636	3 925 754	4 102 210
Net Balances	**31 883**	**27 333**	**24 624**	**1 052 395**	**1 136 235**
Other Receivables:					
Gross Balances	133 750	23 705	23 227	4 491 978	4 672 660
Less: Provision for Impairment	104 758	17 374	17 276	1 395 789	1 535 196
Net Balances	**28 992**	**6 332**	**5 952**	**3 096 189**	**3 137 464**

As at 30 June Receivables of R4 212 824 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Receivables:				
Gross Balances	109 974	106 487	9 470 127	9 686 588
Less: Provision for Impairment	76 309	75 912	5 321 543	5 473 764
Net Balances	**33 665**	**30 576**	**4 148 584**	**4 212 824**

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Refuse:					
Gross Balances	166 693	161 697	157 286	8 731 996	9 217 673
Less: Provision for Impairment	164 343	159 390	155 429	8 687 553	9 166 715
Net Balances	**2 350**	**2 308**	**1 857**	**44 443**	**50 958**
Other Receivables:					
Gross Balances	23 441	22 685	22 067	1 467 771	1 535 964
Less: Provision for Impairment	23 253	22 510	21 901	1 440 490	1 508 155
Net Balances	**188**	**175**	**166**	**27 281**	**27 809**

As at 30 June Receivables of R76 229 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	*61 - 90 Days*	*+ 90 Days*	
All Receivables:				
Gross Balances	184 383	179 353	10 199 767	10 563 503
Less: Provision for Impairment	181 900	177 331	10 128 043	10 487 274
Net Balances	**2 483**	**2 022**	**71 724**	**76 229**

4.2 Reconciliation of the Provision for Impairment

	2014	2013
Balance at beginning of year	10 67[illegible]	9 146 588
Impairment Losses recognised	[illegible]	1 528 281
Amounts written off as uncollectable	(2 7[illegible]4 969)	-
Balance at end of year	[illegible]	**10 674 870**

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	2014	2013
	R	R

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

4.3 Ageing of Impaired Receivables from Exchange Transactions

	2014	2013
Current:		
0 - 30 Days	163 642	187 596
Past Due:		
31 - 60 Days	76 309	181 900
61 - 90 Days	75 912	177 331
+ 90 Days	5 321 543	10 128 043
Total	**5 637 406**	**10 674 870**

4.4 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

As at 30 June 2014	Gross Balances R	Provision for Impairment R	Net Balances R
Assessment Rates Debtors	23 930 577	17 627 848	6 302 728
Government Subsidy Claims	2 181 558		2 181 558
Sundry Debtors	959 221		959 221
Hall Securities	-		-
Interest/Penalty Charges	1 864 759	1 460 287	404 472
Sundry Deposits	25 473		25 473
Traffic Fines	6 605 724	6 084 079	521 645
Total Receivables from Non-exchange Transactions	**35 567 312**	**25 172 214**	**10 395 098**

As at 30 June 2013	Gross Balances R	Provision for Impairment R	Net Balances R
Assessment Rates Debtors	30 405 226	29 863 853	541 373
Sundry Debtors	1 040 356	41 158	999 198
Hall Securities	34 589	34 589	-
Interest/Penalty Charges	1 428 486	1 369 858	58 628
Sundry Deposits	16 632	-	16 632
Total Receivables from Non-exchange Transactions	**32 925 290**	**31 309 458**	**1 615 831**

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

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

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors. The current payment ratios of Other Debtors were also taken into account for fair value determination.

5.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates Debtors					
Gross Balances	(408 915)	272 970	257 592	23 806 930	23 930 577
Less: Provision for Impairment	(427 862)	185 505	185 250	17 684 956	17 627 848

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				2014 R	2013 R
Net Balances	**20 947**	**87 465**	**72 341**	**6 121 974**	**6 302 728**
Government Subsidy Claims					
Gross Balances	2 181 558	-	-	-	2 181 558
Net Balances	**2 181 558**	**-**	**-**	**-**	**2 181 558**
Sundry Debtors					
Gross Balances				959 221	959 221
Net Balances	**-**	**-**	**-**	**959 221**	**959 221**
Interest/Penalty Charges					
Gross Balances	108 504	106 356	103 523	1 546 376	1 864 759
Less: Provision for Impairment	89 200	87 117	85 043	1 198 927	1 460 287
Net Balances	**19 304**	**19 239**	**18 481**	**347 448**	**404 472**
Sundry Deposits					
Gross Balances	25 473				25 473
Net Balances	**25 473**	**-**	**-**	**-**	**25 473**
Traffic Fines					
Gross Balances	6 605 724				6 605 724
Less: Provision for Impairment	6 084 079				6 084 079
Net Balances	**521 645**	**-**	**-**	**-**	**521 645**

As at 30 June Receivables of R7 626 170 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
All Receivables:				
Gross Balances	379 326	361 115	26 312 527	27 052 968
Less: Provision for Impairment	272 621	270 293	18 883 883	19 426 798
Net Balances	**106 704**	**90 822**	**7 428 643**	**7 626 170**

As at 30 June 2013

	Current 0 - 30 days	Past Due 31 - 60 Days	61 - 90 Days	+ 90 Days	Total
Assessment Rates Debtors					
Gross Balances	606 626	571 759	546 234	28 680 607	30 405 226
Less: Provision for Impairment	580 914	546 228	522 493	28 214 219	29 863 853
Net Balances	**25 713**	**25 530**	**23 741**	**466 388**	**541 373**
Sundry Debtors					
Gross Balances	47 361	-	-	992 995	1 040 356
Less: Provision for Impairment	-	-	-	41 158	41 158
Net Balances	**47 361**	**-**	**-**	**951 837**	**999 198**
Hall Securities					
Gross Balances	-	-	-	34 589	34 589
Less: Provision for Impairment	-	-	-	34 589	34 589
Net Balances	**-**	**-**	**-**	**-**	**-**
Interest/Penalty Charges					
Gross Balances	213 334	197 644	180 449	837 060	1 428 486
Less: Provision for Impairment	207 501	191 644	175 103	795 610	1 369 858
Net Balances	**5 833**	**6 000**	**5 346**	**41 449**	**58 628**
Sundry Deposits					
Gross Balances	-	-	-	16 632	16 632
Net Balances	**-**	**-**	**-**	**16 632**	**16 632**

As at 30 June Receivables of R1 536 925 were past due but not impaired. The age analysis of these Receivables are as follows:

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	2014 R	2013 R

	Past Due			
	31 - 60 Days	61 - 90 Days	+ 90 Days	Total
All Receivables:				
Gross Balances	769 403	726 683	30 561 883	32 057 968
Less: Provision for Impairment	737 873	697 596	29 085 576	30 521 044
Net Balances	31 530	29 087	1 476 307	1 536 925

5.2 Reconciliation of Provision for Impairment

	2014 R	2013 R
Balance at beginning of year	31 309 458	26 173 485
Impairment Losses recognised	3 201 860	5 174 136
Impairment Losses reversed	(75 747)	(38 163)
Amounts written off as uncollectable	(9 263 357)	-
Balance at end of year	25 172 214	31 309 458

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a Rates Assessment Debtor and Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

6. VAT RECEIVABLE

	2014 R	2013 R
Vat Receivable	6 834 918	2 729 469

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

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

7. CASH AND CASH EQUIVALENTS

	2014 R	2013 R
Current Investments	20 312 855	49 435 088
Bank Accounts	22 163 466	12 363
Total Bank, Cash and Cash Equivalents	42 476 321	49 447 451

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

	2014 R	2013 R
Call Deposits	20 311 855	49 435 088
Notice Deposits	1 000	-
Total Current Investment Deposits	20 312 855	49 435 088

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			2014 R	2013 R
The following call deposit accounts for ring fenced purposes as indicated			20 311 855	49 435 068
Planning and Survey	First National	6216 487 6842	-	183
Service Delivery Reserve	First National	6203 325 4723	4 528 540	464 594
Operational Investment	First National	6202 945 0715	4 071 922	31 770 979
Municipal Support Program (MSP)	First National	6203 189 8903	-	5 788
Drought Relief	First National	6208 603 6160	0	417 513
Municipal Infrastructure Grant (MIG)	First National	6208 603 6714	10 396 608	9 432 615
Guarantee Investment	First National	6206 874 2157	246 993	242 123
Capital Replacement Reserve	First National	6206 799 8040	-	14 076
Testing Centre	First National	6209 341 1339	(0)	3 457 305
Dedea Projects	First National	6224 528 8411	476 867	894 980
Financial Management Grant (FMG)	First National	6227 618 7294	263 719	1 579 898
Munisipal System Improvement Grant	First National	6227 618 9018	40 488	878 418
Electrification Program	First National	6228 856 0925	286 717	276 617

7.2 Bank Accounts

	2014 R	2013 R
Cash in Bank	22 163 466	12 363
Total Bank Accounts	**22 163 466**	**12 363**

The Municipality has the following bank accounts:

Primary Bank Account
First National Bank - Account Number 620 2218 3727:

	2014 R	2013 R
Cash book balance at beginning of year	12 363	5 193 844
Cash book overdrawn at the beginning of the year (included in "Trade Creditors" last year).	-510 137.51	
Cash book balance at end of year	22 163 466	12 363
Bank statement balance at beginning of year	5 065 440	23 381 740
Bank statement balance at end of year	24 969 382	5 065 440

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

The management of the municipality is of the opinion that the carrying value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Current Investment Deposits, Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

8. OPERATING LEASE RECEIVABLES

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

	2014 R	2013 R
Balance at beginning of year	109 975	83 610
Operating Lease Revenue recorded	13 309	58 820
Operating Lease Revenue effected	(2 021)	(32 455)
Total Operating Lease Receivables	**121 263**	**109 975**

8.1 Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property owned by the municipality with lease terms of between 2 to 10 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

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8.2 Amounts receivable under Operating Leases

	2014 R	2013 R
At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 year	920 058	897 735
2 to 5 years	301 958	1 174 322
More than 5 years	-	11 998
Total Operating Lease Arrangements	1 222 016	2 084 056

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R11 288 (2013: an increase of R26 365) in current year income.

Rental Income recognised in the Statement of Financial Performance	1 513 088	1 243 728

The following restrictions have been imposed by the municipality in terms of the lease agreements:

(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.

(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.

(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

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9 PROPERTY, PLANT AND EQUIPMENT

30 June 2014

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2013	**7 682 715**	**25 532 762**	**176 480 922**	**63 200 976**	**11 231 102**	**835 456**	**284 963 933**
Cost	7 682 715	36 046 650	264 772 361	90 550 446	17 373 959	1 681 279	418 107 409
Accumulated Depreciation:	-	(10 513 888)	(88 291 439)	(27 349 470)	(6 142 856)	(845 822)	(133 143 476)
Acquisitions	-	-	20 178 644	9 454 298	7 337 123	-	36 970 065
Capital under Construction - Additions:	-	832 239	79 322 440	16 413 965	0	-	96 568 644
Depreciation:	-	(1 193 512)	(20 501 631)	(3 439 259)	(4 202 355)	(336 072)	(29 672 828)
Carrying value of Disposals:	(59 274)	-	-	-	(175 785)	-	(235 059)
- Cost	(59 274)	-	-	-	(1 824 733)	-	(1 884 006)
- Accumulated Depreciation	-	-	-	-	1 648 948	-	1 648 948
Carrying value of Transfers to Inventory	(23 796)	-	-	-	-	-	(23 796)
- Cost	(23 796)	-	-	-	-	-	(23 796)
Impairment Losses	-	-	(40 897)	-	(52 337)	-	(93 234)
Capital under Construction - Completed	-	-	(9 752 774)	(8 592 748)	-	-	(18 345 522)
Other Movements	73 725	-	9 752 774	8 592 748	-	-	18 419 247
Carrying values at 30 June 2014	**7 673 371**	**25 171 489**	**255 439 478**	**85 629 979**	**14 137 748**	**499 385**	**388 551 450**
Cost	7 673 371	36 878 889	364 273 445	116 418 708	22 886 349	1 681 279	549 812 041
Accumulated Impairment Losses	-	-	(40 897)	-	(52 337)	-	(93 234)
Accumulated Depreciation:	-	(11 707 400)	(108 793 069)	(30 788 730)	(8 696 264)	(1 181 894)	(161 167 357)

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9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2013

Reconciliation of Carrying Value

Description	Land	Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2012	**10 381 115**	**23 219 957**	**172 003 459**	**51 642 103**	**11 152 924**	**1 171 528**	**269 571 086**
Cost	7 704 615	32 442 329	255 463 590	76 298 999	13 191 734	1 681 279	386 782 547
Correction of error (Note 44)	2 676 500	(5 680 208)	71 573 246	(761 947)	4 242 459		72 050 050
Accumulated Depreciation:	-	(3 542 163)	(155 033 377)	(23 894 949)	(6 281 269)	(509 751)	(189 261 510)
Acquisitions	-	199 911	12 113 517	3 255 007	2 735 683	-	18 304 118
Capital under Construction - Additions:	-	3 310 483	16 877 655	11 334 271	-	-	31 522 409
Depreciation:	-	(1 197 590)	(24 513 709)	(3 030 405)	(2 657 505)	(336 072)	(31 735 281)
Carrying value of Disposals:	(2 545 900)	-	-	-	-	-	(2 545 900)
Carrying value of Tranfers to Held-for-Sale:	(152 500)	-	-	-	-	-	(152 500)
Capital under Construction - Completed	-		(42 617 994)	(1 317 581)	-	-	(43 335 575)
Other Movements	-	-	42 617 994	1 317 581	-	-	43 335 575
- Cost	-	-	42 617 994	1 317 581	-	-	43 335 575
Carrying values at 30 June 2013	**7 682 715**	**25 532 762**	**176 480 922**	**63 200 976**	**11 231 102**	**835 456**	**284 963 933**
Cost	7 682 715	36 046 650	264 772 361	90 550 446	17 373 959	1 681 279	418 107 409
Accumulated Depreciation:	-	(10 513 888)	(88 291 439)	(27 349 470)	(6 142 856)	(845 822)	(133 143 476)

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment have been restated, with specific reference to Land which was previously included in Investment Property, or sold. Infrastructure which was previously depreciated while still work in progress and Roads which falls under the jurisdiction of neighbour municipalities. The changing of the Economic Useful Life of Gravel Roads from 3 years to 10 years and Mobile Buildings from 5 years to 10 years. The determation of remaining useful lives of all assets with zero carrying value based on condition assessment. Refer to Note 44 on "Correction of Error" for details of the restatement.

Refer to Appendices "B, C and E (4)" for more detail on Property, Plant and Equipment, including those in the course of construction.

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	2014 R	2013 R

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

	2014 R	2013 R
At Original Cost:		
Infrastructure	11 884 303	60 359 071
Community	-	49 285
Other	-	1 690 456
Gross Carrying Amount of PPE fully depreciated and still in use	**11 884 303**	**62 098 811**

The amount for infrastructure is in respect of gravel streets which are in the process of being tarred.

9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal at the end of the financial year.

9.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

10 INTANGIBLE ASSETS

	2014 R	2013 R
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	1 378 537	1 421 313

The movement in Intangible Assets is reconciled as follows:

	Website Development	Computer Software	Total
Carrying values at 01 July 2013	**86 400**	**1 334 913**	**1 421 313**
Cost	-	1 878 826	1 878 826
Work-in-Progress	86 400	-	86 400
Accumulated Amortisation	-	(543 913)	(543 913)
Acquisitions:	36 000	454 530	490 530
Purchased		454 530	454 530
Work-in-Progress	36 000	-	36 000
Amortisation:	-	(533 305)	(533 305)
Purchased		(533 305)	(533 305)
Internally Developed	-	-	-
Carrying values at 30 June 2014	**122 400**	**1 256 137**	**1 378 537**
Cost	-	2 333 356	2 333 356
Work-in-Progress	122 400	-	122 400
Accumulated Amortisation	-	(1 077 218)	(1 077 218)

	Website Development	Computer Software	Total
Carrying values at 01 July 2012	**86 400**	**1 236 118**	**1 322 518**
Cost		1 391 978	1 391 978
Work-in-Progress	86 400	-	86 400
Accumulated Amortisation		(155 860)	(155 860)
Acquisitions:	-	455 863	455 863
Purchased		455 863	455 863
Amortisation:	-	(387 612)	(387 612)
Purchased		(387 612)	(387 612)
Internally Developed	-	-	-
Transfers:	-	30 544	30 544
At Cost	-	30 985	30 985
At Accumulated Amortisation	-	(441)	(441)
Carrying values at 30 June 2013	**86 400**	**1 334 913**	**1 421 313**

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		2014 R	2013 R
Cost	-	1 878 826	1 878 826
Work-in-Progress	86 400	-	86 400
Accumulated Amortisation	-	(543 913)	(543 913)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 34).

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

Computer Software are issued under license and are restricted to the conditions under which each license are issued.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

10.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

11 INVESTMENT PROPERTY

	2014	2013
At Cost less Accumulated Depreciation	20 411 575	23 679 800

The movement in Investment Property is reconciled as follows:

	2014	2013
Carrying values at 1 July	**23 679 800**	**23 679 800**
Cost	23 679 800	23 679 800
Disposals during the Year:	(3 194 500)	-
At Cost	(3 194 500)	-
Transfers during the Year:	(73 725)	-
At Cost	(73 725)	-
Carrying values at 30 June	**20 411 575**	**23 679 800**
Cost	20 411 575	23 679 800
Estimated Fair Value of Investment Property at 30 June	**21 532 780**	**29 922 300**

Investment Property has been restated to correctly disclose the properties held as Investment Property in terms of GRAP 16. Refer to Note 44 on "Correction of Error" for details of the restatement.

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

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

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

11.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

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	2014 R	2013 R

11.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

12 HERITAGE ASSETS

	2014 R	2013 R
At Cost less Accumulated Impairment Losses	17 719	17 719

The movement in Heritage Assets is reconciled as follows:

	Municipal Jewelry	Total
Carrying values at 01 July 2013	17 719	17 719
Cost	17 719	17 719
Carrying values at 30 June 2014	17 719	17 719
Cost	17 719	17 719

	Municipal Jewelry	Total
Carrying values at 01 July 2012	17 719	17 719
Cost	17 719	17 719
Carrying values at 30 June 2013	17 719	17 719
Cost	17 719	17 719

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

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

Refer to Appendix "B" for more detail on Heritage Assets.

12.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

12.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

13 PROVISIONS

	2014 R	2013 R
Current Portion of Long-term Service Liability (See Note 19)	134 814	72 985
Total Provisions	**134 814**	**72 985**

Current Portion of Non-Current Provisions:

	Long-term Service R
30 June 2014	
Balance at beginning of year	72 985
Transfer from non-current	281 283
Expenditure incurred	(219 454)
Balance at end of year	**134 814**

	Long-term Service R
30 June 2013	
Balance at beginning of year	134 107
Transfer from non-current	20 177
Expenditure incurred	(81 299)
Balance at end of year	**72 985**

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	2014	2013
	R	R

Refer to Note 19 on "Employee Benefits" for details on actuarial valuations. The short term portion is based on the actuarial estimate of the cost for the next financial period.

14 PAYABLES FROM EXCHANGE TRANSACTIONS

	2014	2013
Trade Creditors	7 084 578	9 154 928
Retentions	1 014 080	604 792
Staff Leave	3 986 993	2 635 598
Other Creditors	863	757
Third Parties (Salaries)	40 889	(0)
Value Added Tax - Output	457 670	(0)
Minus Bank Overdraft included in Trade Creditors (Back to Cash and Cash Equivalents)	(510 138)	
Total Payables	**12 034 916**	**12 396 075**

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

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

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

15 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

	2014	2013
Interest on External Loan	1 250 137	-
Payments Received In Advance	1 146 512	665 500
Sundry Deposits	1 339	(0)
Rental Deposits	6 558	22 703
Total Payables	**2 404 546**	**688 203**

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

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

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2014	2013
16.1 Conditional Grants from Government	**2 575 259**	**23 567 031**
National Government Grants	4 723	18 194 865
Provincial Government Grants	2 570 536	5 372 167
Total Conditional Grants and Receipts	**2 575 259**	**23 567 031**

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

17 OPERATING LEASE LIABILITIES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. No liability existed at 30 June as none of the contracts has any escalation clauses.

17.1 Leasing Arrangements

The Municipality as Lessee:
Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

	2014 R	2013 R

17.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had no outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment. Agreements on the rental of Photocopy Machines have expired and the municipality will be going out on tender in the new financial year to obtain new equipment.

The following payments have been recognised as an expense in the Statement of Financial Performance:

	2014 R	2013 R
Minimum lease payments	87 866	501 031
Total Operating Lease Expenses	**87 866**	**501 031**

18 LONG-TERM LIABILITIES

	2014 R	2013 R
Annuity Loans	50 000 000	-
Finance Lease Liabilities	588 079	936 730
Sub-total	50 588 079	936 730
Less: Current Portion transferred to Current Liabilities:-	17 592 917	348 650
Annuity Loans	17 211 561	-
Finance Lease Liabilities	381 356	348 650
Total Long-term Liabilities (Neither past due, nor impaired)	**32 995 163**	**588 079**

The Annuity Loan was taken up during the year from the Development Bank of Southern Africa and is repayable in 3 instalments over the next three financial years at an interest rate of 9,00% per annum. The Annuity Loan is secured by Electrification Grants to be received from National Governement in accordance with the Division of Revenue Act.for the next three years.

Finance Lease Liabilities relates to Vehicles with lease terms of 5 (2013: 3) years. The effective interest rate on Finance Leases is the prime rate set by the South African Reserve Bank which was 9% at the inception date of the leases. Capitalised Lease Liabilities are secured over the items of vehicles leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

18.1 Obligations under Finance Lease Liabilities

The Municipality as Lessee:
Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years (2013: 3 years). The effective interest rate on Finance Leases was set at the bank prime rate which was 9% at the inception date of the leases.

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

The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2014 R	2013 R	2014 R	2013 R
Amounts payable under finance leases:				
Within one year	418 807	418 807	381 356	348 650
In the second to fifth years, inclusive	212 257	631 064	206 723	588 080
Over five years	-	-	-	-
	631 064	1 049 871	588 079	936 730
Less: Future Finance Obligations	65 256	113 142		
Present Value of Minimum Lease Obligations	565 808	936 730	588 079	936 730

	2014 R	2013 R
Less: Amounts due for settlement within 12 months (Current Portion)	(381 356)	(348 650)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)	206 723	588 079

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

Included in these classes are the following significant leases:

	2014	2013
(i) Vehicles	R 110 285	R 110 285
- Instalments are payable monthly in arrears		
- Average period outstanding	22 months	34 months
- Average effective interest rate, based on prime at the inception of the leases	9.00%	9.00%
- Average monthly instalment	R 34 900.58	R 34 900.58

19 EMPLOYEE BENEFIT LIABILITIES

	2014	2013
Long Service Awards Liability	842 751	868 290
Total Employee Benefit Liabilities	**842 751**	**868 290**

19.1 Long Service Awards Liability

	2014	2013
Balance at beginning of year	868 290	584 098
Increase in provision due to change in estimate	255 744	304 369
Balance at end of Year	1 124 034	888 467
Transfer to Current Provisions	(281 283)	(20 177)
Total Long Service Awards Liability	**842 751**	**868 290**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 45 years of service inclusive, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 142 (2013: 130) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2014 is estimated to be R234 901, whereas the cost for the ensuing year is estimated to be R838 325 (30 June 2013: R171 866 and R234 901 respectively).

	2014 R	2013 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.83%	6.90%
Cost Inflation Rate	7.07%	6.65%
Net Effective Discount Rate	0.71%	0.24%
Expected Return on Plan Assets	7.83%	6.90%
Expected Rate of Salary Increase	7.07%	6.65%
Expected Retirement Age - Females	58	58
Expected Retirement Age - Males	58	58
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	941 275	718 205
Current service costs	234 901	171 866
Interest cost	67 538	49 640
Benefits paid	[illegible]	[illegible]
Actuarial losses / (gains)	[illegible]	88 963
Total Recognised Benefit Liability	**977 566**	**941 275**

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

	2014 R	2013 R
Current service cost	234 901	171 866
Interest cost	57 538	43 540
Actuarial losses / (gains)	(36 695)	88 963
Total Post-retirement Benefit included in Employee Related Costs (Note 32)	**255 744**	**304 369**

The history of experienced adjustments is as follows:

	2014 R	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	977 565	941 275	718 205	557 676	506 297
Deficit	**977 565**	**941 275**	**718 205**	**557 676**	**506 297**

20 NON-CURRENT PROVISIONS

	2014	2013
Provision for Rehabilitation of Land-fill Sites	6 158 527	5 621 438
Total Non-current Provisions	**6 158 527**	**5 621 438**

The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:

	2014	2013
Balance at beginning of year	5 621 438	5 542 501
Increase in provision due to discounting of interest	537 089	78 936
Increase in provision due to change in estimate	-	-
Balance at end of year	**6 158 527**	**5 621 438**

20.1 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R6 158 527 (2013: R5 621 438) to restore the sites at the end of their useful lives estimated between 12 and 16 years. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

Assumptions and estimates are based on a operational life expectancy of 25 years.

Actual data from the recent closure and rehabilitation of a landfill site in the Eatern Cape were used to extrapolate expected cost for the Umzimvubu landfill sites.

The valuation were done by Adv. Coenraad Paul Herbst (B.IUR, LL.B, LL.M) from Bloemfontein who is a Mineral- and Environmental Laws Consultant.

The provision was restated due to a discounting error made in the calculation of the liability during the previous financial year. See "Correction of Error" Note 44 for details.

21 ACCUMULATED SURPLUS

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

	2014	2013
Capital Replacement Reserve (CRR)	5 014 475	5 014 475
Capital Contributions from Government	364 892 879	246 902 219
Accumulated Surplus / (Deficit) due to the results of Operations	30 182 244	68 468 439
Total Accumulated Surplus	**400 089 598**	**320 385 133**

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Note 44 on "Correction of Error" for details of the restatements.

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capital Contributions from Government** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants ensures consumer equity and is not backed by cash.

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

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22 PROPERTY RATES

			2014 R	2013 R
	Property Valuations		Actual Levies	
	June 2014 R000's	June 2013 R000's		
Residential	341 917 485	295 813 000	5 178 840	6 578 054
Commercial	157 423 647	291 468 000	2 280 674	2 896 865
State	285 497 806	295 907 508	1 008 652	1 281 168
Total Property Rates	784 838 938	883 188 508	8 468 165	10 756 087

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009.

Interim valuations are processed on an quarterly basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 1,2 c/R (2012/13: 0,8427 c/R)
Business Properties: 1,4 c/R (2012/13: 1,6854 c/R)
Agricultural & Government Properties: 1,3 c/R (2012/13: 1,6854 c/R)

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

In accordance with Section 17(h) of the Municipal Properties Rates Act the first R15 000 of the market value of residential properties are exempted from assessment rates.

23 FINES

	2014 R	2013 R
Traffic Fines	7 011 338	438 742
Total Fines	7 011 338	438 742

The amount recognised as revenue this year is the value of all fines issued. Impairment on it was affected based on previous amounts received which is disclosed under Impairment Expenditure.

24 LICENCES AND PERMITS

	2014 R	2013 R
Drivers & Learners Licenses	2 540 989	2 032 523
Hawker Stalls	26 763	7 711
Street Trading	56 133	51 928
Trading Licenses	57 000	18 316
Total Licences and Permits	2 680 885	2 110 477

25 INCOME FROM AGENCY SERVICES

	2014 R	2013 R
Vehicle Registration	1 302 912	1 200 659
Vehicle Testing Station	89 789	94 720
Total Income from Agency Services	1 392 701	1 295 379

26 GOVERNMENT GRANTS AND SUBSIDIES

	2014 R	2013 R
National Equitable Share	115 568 000	106 043 000
Other Subsidies	7 129 508	150 000
Operational Grants	122 697 508	106 193 000
Conditional Grants	94 330 513	57 682 404
National: EPWP	2 785 247	2 435 072
National: FMG	1 550 000	1 500 000
National: MIG	60 372 936	19 676 576
National: MSIG	890 102	922 193
National: Energy	20 000 000	30 000 000
Provincial: Dept Cooperative Government & Traditional Affairs (COGTA)	7 252 947	2 857 905
Department Economic Affairs and Trade (DEAT)	1 479 281	290 657
Total Government Grants and Subsidies	217 028 021	163 875 404

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	2014 R	2013 R
Government Grants and Subsidies:		
Conditional Grants	94 214 276	57 682 404
Unconditional Grants	122 813 746	106 193 000
Total Government Grants and Subsidies	217 028 021	163 875 404
Summary of Transfers:		
Conditions met - transferred to Revenue: Operating Expenses	33 957 577	38 006 827
Conditions met - transferred to Revenue: Capital Expenses	60 372 936	19 676 576
Total Transfers	94 330 513	57 682 404

Operational Grants:

26.1 National: Equitable Share	115 668 000	106 043 000

In terms of the Constitution, part of this grant is used to subsidise the provision of basic services to indigent community members on application. Households where the total gross monthly income of all occupants over 18 years of age does not exceed the earning of a combined gross income equivalent to or less than two times the Government pension grant as prescribed by the National Department of Social Development , qualify for a subsidy of the essential services package.

26.2 Community Based Planning

Current year receipts - included in Revenue	150 000	150 000

The Municipality received an amount of R150 000 from Alfred Nzo District Municipality for assistance in the data collection of community needs to be used as basis for future planning.

Conditional Grants:

26.3 National: EPWP Grant

Balance unspent at beginning of year	64 662	1 082 734
Current year receipts	2 720 585	1 417 000
Conditions met - transferred to Revenue: Operating Expenses	(2 785 247)	(2 435 072)
Conditions still to be met - transferred to Liabilities (see Note 16)	0	64 662

The grant is utilised for creating of job opportunities in enviromental and cultural, infrastructure and the social eradication of poverty and capacity building and skills programmes

26.4 National: FMG Grant

Balance unspent at beginning of year	0	0
Current year receipts	1 550 000	1 500 000
Conditions met - transferred to Revenue: Operating Expenses	(1 550 000)	(1 500 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	0	0

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

26.5 National: MIG Funds

Balance unspent at beginning of year	18 125 378	6 994
Current year receipts	42 247 558	37 795 000
Conditions met - transferred to Revenue: Capital Expenses	(60 372 936)	(19 676 576)
Conditions still to be met - transferred to Liabilities (see Note 16)	0	18 125 378

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The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

26.6 National: MSIG Funds