

# **THEEWATERSKLOOF**

## **MUNICIPALITY**



[These financial statements have been audited]

## **FINANCIAL STATEMENTS**

**30 JUNE 2014**

# THEEWATERSKLOOF MUNICIPALITY

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# THEEWATERSKLOOF MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Theewaterskloof Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Theewaterskloof Municipality includes the following areas:

<i>Caledon</i>	<i>Greyton</i>
<i>Grabouw</i>	<i>Genadendal</i>
<i>Villiersdorp</i>	<i>Botrivier</i>
<i>Riviersonderend</i>	<i>Tesselaarsdal</i>

#### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	Mr. C. Punt
Deputy Executive Mayor	Mr. M. Tshaka
Executive Councillor	Mr. N.H. De Wet
Executive Councillor	Mr. G.E.M. Carelse
Executive Councillor	Mrs. P.U. Stanfliet
Executive Councillor	Mr K Papier
Executive Councillor	Mrs. C. Vosloo (Speaker)

#### MUNICIPAL MANAGER

Mr. H.S.D. Wallace

#### CHIEF FINANCIAL OFFICER

Mr. D Louw

#### REGISTERED OFFICE

6 Plein Street, CALEDON, 7230

#### AUDITORS

Auditor General of South Africa (AGSA)

#### PRINCIPLE BANKERS

ABSA Bank, P.O. Box 145, Caledon. 7230

#### ATTORNEYS

*Bosman & Smit*  
*Fairbridges Attorneys*  
*Herold Gie Attorneys*  
*IAJ Malherbe Incorporated*  
*Johnson Kuun & Co*  
*Cloughton & Wehmeyer*  
*Guthrie & Theron*  
*Du Plessis & Mostert*

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

# THEEWATERSKLOOF MUNICIPALITY

## MEMBERS OF THE THEEWATERSKLOOF MUNICIPALITY

WARD	COUNCILLOR
1	Mr. K.R. Tiemie
2	Mrs. M.L. Hector
3	Mr K Papier
4	Mrs M.M. Koegelenberg
5	Mr. N.H. De Wet
6	Mrs. J. Nellie
7	Mrs. P.U. Stanfliet
8	Mrs. C.V. Thembani
9	Mr. N. Pieterse
10	Mrs. M. Plato
11	Mr M Mathews
12	Mr. U.T. Sipunzi
13	Mr. M Tshaka
Proportional	Mr. C Punt
Proportional	Mrs. C. Vosloo
Proportional	Mr. G.E.M. Carelse
Proportional	Mr. C.D. November
Proportional	Mr. I.M. Sileku
Proportional	Mr. P. De Wet
Proportional	Mrs. F.V. Mankayi
Proportional	Mr J.P. Hendricks
Proportional	Mrs. S.R. Witbooi
Proportional	Mr. M.R. Nongxaza
Proportional	Mr J. van Niekerk

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2014, which are set out on pages 1 to 85 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2014 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

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. H.S.D. Wallace  
Municipal Manager

31 August 2014  
Date

**THEEWATERSKLOOF MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**

	Notes	2014	2013
		R	R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>631,701,478</b>	<b>532,899,041</b>
Capital Replacement Reserve	2	6,499,770	499,770
Revaluations Reserve	2	81,275,442	41,091,455
Social Contribution Reserve	2	55,278	55,278
Accumulated Surplus		543,870,988	491,252,538
<b>Non-Current Liabilities</b>		<b>178,788,905</b>	<b>165,533,703</b>
Long-term liabilities	3	110,090,615	105,788,042
Employee benefits	4	42,733,220	34,765,580
Non-current provisions	5	25,965,070	24,980,081
<b>Current Liabilities</b>		<b>66,586,941</b>	<b>69,815,909</b>
Consumer deposits	6	3,659,875	3,306,227
Current Employee benefits	7	13,897,836	12,700,308
Payables from exchange transactions	9	39,388,135	39,664,583
Unspent conditional government grants and receipts	10	823,297	4,667,034
Unspent Public Contributions	11	488,399	862,120
Taxes	12.1	1,355,492	1,636,956
Operating lease liability	22.1	-	-
Current portion of long-term liabilities	3	6,973,907	6,978,681
<b>Total Net Assets and Liabilities</b>		<b>877,077,324</b>	<b>768,248,653</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>800,803,934</b>	<b>703,917,243</b>
Property, plant and equipment	13	640,604,516	556,571,182
Capitalised restoration costs	14	89,363	136,945
Investment property	15	158,512,813	145,291,764
Intangible assets	16	1,573,385	1,892,950
Heritage Assets	17	-	-
Long-term receivables	18	23,857	24,402
<b>Current Assets</b>		<b>76,273,391</b>	<b>64,331,411</b>
Inventory	19	2,282,251	1,921,526
Receivables from exchange transactions	20	12,277,605	15,419,014
Receivables from non-exchange transactions	21	15,467,002	11,679,691
Unpaid conditional government grants and receipts	10	6,313,484	2,377,909
Operating lease asset	22.1	489,252	442,097
Taxes	12.2	1,219,981	4,940,903
Current portion of long-term receivables	18	5,429	5,356
Cash and cash equivalents	23	38,218,387	27,544,916
<b>Total Assets</b>		<b>877,077,325</b>	<b>768,248,654</b>

**THEEWATERSKLOOF MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 R	2013 R	Correction of Error - Note R	2013 (Previously reported) R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>		<b>273,005,490</b>	<b>226,998,173</b>	<b>2,517,906</b>	<b>224,480,267</b>
<b>Taxation Revenue</b>		<b>58,673,002</b>	<b>47,606,616</b>	<b>-</b>	<b>47,606,616</b>
Property taxes	24	58,673,002	47,606,616	-	47,606,616
<b>Transfer Revenue</b>		<b>155,960,279</b>	<b>147,125,821</b>	<b>-</b>	<b>147,125,821</b>
Government Grants and Subsidies	25	154,611,729	146,123,243	-	146,123,243
Public Contributions and Donations	26	1,299,050	1,002,578	-	1,002,578
Donations for Property, Plant and Equipment		49,500	-	-	-
<b>Other Revenue</b>		<b>58,372,209</b>	<b>32,265,736</b>	<b>2,517,906</b>	<b>29,747,830</b>
Actuarial Gains		166,803	1,363,962	-	1,363,962
Third Party Payments		226,910	401,174	-	401,174
Fines		29,835,408	7,983,765	2,517,906	5,465,859
Fair Value Adjustments	29	28,143,088	22,516,835	-	22,516,835
<b>Revenue from Exchange Transactions</b>		<b>166,246,978</b>	<b>151,279,952</b>	<b>(1,517,477)</b>	<b>152,797,429</b>
Service Charges	27	142,531,766	131,758,373	(209,123)	131,967,496
Rental of Facilities and Equipment		1,936,232	1,408,882	(1,308,354)	2,717,236
Interest Earned - external investments		2,903,978	2,407,250	-	2,407,250
Interest Earned - outstanding debtors		9,267,473	7,616,931	-	7,616,931
Licences and Permits		2,635,096	2,625,949	-	2,625,949
Agency Services		2,189,056	1,956,810	-	1,956,810
Other Income	28	4,473,590	3,505,757	-	3,505,757
Gain on disposal of Property, Plant and Equipment		309,787	-	-	-
<b>Total Revenue</b>		<b>439,252,468</b>	<b>378,278,125</b>	<b>1,000,429</b>	<b>377,277,696</b>
<b>EXPENDITURE</b>					
Employee related costs	30	124,567,548	109,724,843	2,017,514	107,707,329
Remuneration of Councillors	31	8,203,131	7,410,014	-	7,410,014
Debt Impairment	32	47,239,932	22,703,382	-	22,703,382
Depreciation and Amortisation	33	10,283,579	8,466,350	-	8,466,350
Impairments	34	22,532,038	89,844,857	-	89,844,857
Repairs and Maintenance		18,412,044	17,849,287	-	17,849,287
Actuarial losses	4	4,183,018	256,662	-	256,662
Finance Charges	35	12,478,081	12,779,822	-	12,779,822
Bulk Purchases	36	50,043,145	45,334,371	-	45,334,371
Contracted services		17,749,201	15,273,141	781,670	14,491,471
Grants and Subsidies	37	823,890	782,625	-	782,625
Operating Grant Expenditure	38	-	-	(9,587,884)	9,587,883
General Expenses	39	63,777,110	32,022,574	5,480,346	26,542,228
Loss on disposal of Property, Plant and Equipment		341,301	1,300,370	-	1,300,370
<b>Total Expenditure</b>		<b>380,634,018</b>	<b>363,748,298</b>	<b>(1,308,354)</b>	<b>365,056,651</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>58,618,450</b>	<b>14,529,827</b>	<b>2,308,783</b>	<b>12,221,045</b>

**THEEWATERSKLOOF MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Revaluations Reserve</b>	<b>Capital Replacement Reserve</b>	<b>Social Contribution Reserve</b>	<b>Accumulated Surplus/ (Deficit)</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Balance at 30 JUNE 2012</b>	<b>11,422,657</b>	-	<b>55,278</b>	<b>460,590,024</b>	472,067,959
Correction of error - Note - 40.04		-	-	16,632,457	16,632,457
<b>Restated balance at 1 JULY 2012</b>	<b>11,422,657</b>	-	<b>55,278</b>	<b>477,222,481</b>	<b>488,700,417</b>
Net Surplus for the year	-	-	-	14,529,827	14,529,827
Revaluation of PPE	29,668,798	-	-	-	29,668,798
Transfer to/from reserves	-	499,770	-	(499,770)	-
<b>Balance at 30 JUNE 2013</b>	<b>41,091,455</b>	<b>499,770</b>	<b>55,278</b>	<b>491,252,538</b>	<b>532,899,042</b>
Net Surplus for the year	-	-	-	58,618,450	58,618,450
Revaluation of PPE	40,183,987	-	-	-	40,183,987
Property, Plant and Equipment purchased	-	-	-	-	-
Transfer to/from reserves	-	6,000,000	-	(6,000,000)	-
<b>Balance at 30 JUNE 2014</b>	<b>81,275,442</b>	<b>6,499,770</b>	<b>55,278</b>	<b>543,870,988</b>	<b>631,701,479</b>

# THEEWATERSKLOOF MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

		2014	2013
	Notes	R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		197,827,328	162,862,217
Government grants		146,908,415	141,135,247
Public Contributions		925,329	1,697,464
Interest		12,171,451	10,024,181
<b>Payments</b>			
Suppliers and employees		(277,732,001)	(209,598,040)
Finance charges	35	(12,478,081)	(12,779,822)
Transfers and Grants		(823,890)	(782,625)
<b>Cash generated by operations</b>	41	<b>66,798,551</b>	<b>92,558,622</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	13	(62,946,682)	(88,322,664)
Proceeds on Disposal of Fixed Assets		1,584,369	8,398,109
Purchase of Intangible Assets	16	-	(78,553)
Decrease in Long-term Receivables	18	585,787	12,680
<b>Net Cash from Investing Activities</b>		<b>(60,776,528)</b>	<b>(79,990,428)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(6,977,661)	(6,521,067)
New loans raised		11,275,461	22,600
Increase in Consumer Deposits		353,648	61,459
<b>Net Cash from Financing Activities</b>		<b>4,651,448</b>	<b>(6,437,008)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>10,673,471</b>	<b>6,131,188</b>
Cash and Cash Equivalents at the beginning of the year		27,544,916	21,413,727
Cash and Cash Equivalents at the end of the year	42	38,218,387	27,544,916
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>10,673,471</b>	<b>6,131,189</b>



**THEEWATERSKLOOF MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**  
**COMPARISON OF ACTUAL AMOUNTS TO FINAL BUDGET**

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	11,250,981	15,052	11,235,929	Loans of previous year that was not taken up has been raised
Call investment deposits	26,967,406	-	26,967,406	
Consumer debtors	12,277,605	42,323,608	(30,046,003)	More bad debt were written off than budget for, which also affected the calculation for impairments
Other Receivables	23,489,720	3,000,000	20,489,720	Correction of prior year fines not raised
Current portion of long-term receivables	5,429	5,356	73	
Inventory	2,282,251	2,200,000	82,251	
<b>Total current assets</b>	<b>76,273,392</b>	<b>47,544,016</b>	<b>28,729,377</b>	
<b>Non current assets</b>				
Long-term receivables	23,857	19,046	4,811	Correction of Property previously cluster in terms of the mother erven currently individually identified and incorporated into the register along with previously omitted erven
Investment property	158,512,813	131,492,025	27,020,788	
Property, plant and equipment	640,693,879	487,774,341	152,919,538	
Intangible Assets	1,573,385	1,892,950	(319,565)	
<b>Total non current assets</b>	<b>800,803,934</b>	<b>621,178,362</b>	<b>179,625,572</b>	
<b>TOTAL ASSETS</b>	<b>877,077,325</b>	<b>668,722,378</b>	<b>208,354,947</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	-	-	-	Due to large amount of purchases taking place at year end which is only due in July 2014 Projections made differ from actuarial report and could not be accurately predicted.
Borrowing	6,973,907	7,182,945	(209,038)	
Consumer deposits	3,659,875	3,550,260	109,615	
Trade and other payables	42,055,324	34,957,260	7,098,064	
Provisions and Employee Benefits	13,897,836	12,308,334	1,589,503	
<b>Total current liabilities</b>	<b>66,586,942</b>	<b>57,998,799</b>	<b>8,588,143</b>	
<b>Non current liabilities</b>				
Borrowing	110,090,615	105,648,114	4,442,502	Prior years correction refer to note 40.03 and the budget made provision for a deficit due to huge impairments which did not realise. A bigger contribution could be made to to the CRR fund due to cashflow status at year end and Revaluation Reserve increase due to some pockets of land were further divided into different portions which give different figures than in the previous list. Values of buildings increased because of the increases in building costs and because more detailed information was obtained in some cases.
Provisions and Employee Benefits	68,698,290	64,650,287	4,048,003	
<b>Total non current liabilities</b>	<b>178,788,905</b>	<b>170,298,401</b>	<b>8,490,504</b>	
<b>TOTAL LIABILITIES</b>	<b>245,375,847</b>	<b>228,297,200</b>	<b>17,078,647</b>	
<b>NET ASSETS</b>	<b>631,701,479</b>	<b>440,425,178</b>	<b>191,276,301</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	543,870,988	397,881,675	145,989,313	
Reserves	87,830,490	42,543,503	45,286,987	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>631,701,478</b>	<b>440,425,178</b>	<b>191,276,300</b>	

**THEEWATERSKLOOF MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014**

**ADJUSTMENTS TO APPROVED BUDGET**

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Explanations for material adjustments
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	1,797,816	(1,782,764)	15,052	
Call investment deposits	10,000,000	(10,000,000)	-	
Consumer debtors	24,346,980	17,976,628	42,323,608	
Other Receivables	3,000,000	-	3,000,000	
Current portion of long-term receivables	3,865	1,491	5,356	
Inventory	2,500,000	(300,000)	2,200,000	
<b>Total current assets</b>	<u>41,648,661</u>	<u>5,895,355</u>	<u>47,544,016</u>	
<b>Non current assets</b>				
Long-term receivables	37,837	(18,791)	19,046	
Investments	-	-	-	
Investment property	269,134,450	(137,642,425)	131,492,025	
Property, plant and equipment	612,223,823	(124,449,482)	487,774,341	
Biological Assets	-	-	-	
Intangible Assets	2,189,986	(297,036)	1,892,950	
Heritage Assets	-	-	-	
<b>Total non current assets</b>	<u>883,586,096</u>	<u>(262,407,734)</u>	<u>621,178,362</u>	
<b>TOTAL ASSETS</b>	<u>925,234,757</u>	<u>(256,512,379)</u>	<u>668,722,378</u>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	-	-	-	
Borrowing	8,000,000	(817,055)	7,182,945	
Consumer deposits	3,550,260	-	3,550,260	
Trade and other payables	27,993,024	6,964,236	34,957,260	
Provisions and Employee Benefits	17,600,000	(5,291,666)	12,308,334	
<b>Total current liabilities</b>	<u>57,143,284</u>	<u>855,515</u>	<u>57,998,799</u>	
<b>Non current liabilities</b>				
Borrowing	117,256,355	(11,608,241)	105,648,114	
Provisions and Employee Benefits	61,395,553	3,254,734	64,650,287	
<b>Total non current liabilities</b>	<u>178,651,908</u>	<u>(8,353,507)</u>	<u>170,298,401</u>	
<b>TOTAL LIABILITIES</b>	<u>235,795,192</u>	<u>(7,497,992)</u>	<u>228,297,200</u>	
<b>NET ASSETS</b>	<u>689,439,565</u>	<u>(249,014,387)</u>	<u>440,425,178</u>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	675,880,565	(277,998,890)	397,881,675	
Reserves	13,559,000	28,984,503	42,543,503	
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<u>689,439,565</u>	<u>(249,014,387)</u>	<u>440,425,178</u>	

The municipality adjusted the budget in line with the latest requirements of GRAP.

The classification basis of the budget and financial statements are different and the statements of comparison of budget and actual amounts were compiled in terms of the budget classifications.

**THEEWATERSKLOOF MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF ACTUAL AMOUNTS TO FINAL BUDGET**

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
<b>REVENUE BY SOURCE</b>				
Property rates	58,673,002	59,447,829	(774,827)	
Property rates - penalties & collection charges	-	-	-	
Service charges	142,531,766	145,614,609	(3,082,843)	
Rental of facilities and equipment	1,936,232	1,441,000	495,232	
Interest earned - external investments	2,903,978	2,200,000	703,978	
Interest earned - outstanding debtors	9,267,473	8,000,000	1,267,473	More unpaid municipal accounts than was anticipated with the compilation of the budget
Dividends received	-	-	-	
Fines	29,835,408	13,032,000	16,803,408	Budget for traffic fines was based on actual payments, but actual was adjusted to align with GRAP 23 and IGRAP1
Licences and permits	2,635,096	2,570,000	65,096	
Agency services	2,189,056	2,200,000	(10,944)	
Government Grants and Subsidies	154,611,729	154,596,224	15,505	
Other revenue	34,358,941	8,535,000	25,823,941	Fair value adjustments on Investment Property not budgeted for.
Gains on disposal of PPE	309,787	205,000	104,787	
<b>Total Operating Revenue</b>	<b>439,252,468</b>	<b>397,841,662</b>	<b>41,410,806</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	124,567,548	126,956,777	(2,389,229)	
Remuneration of councillors	8,203,131	8,353,505	(150,374)	
Debt impairment	47,239,932	24,955,860	22,284,072	Extra impairment was made for traffic fines due to implementation of GRAP 23 and IGRAP 1 Impairment on general valuation roll differs from asset register due to two valuation companies and therefore full impairments was not done
Depreciation & asset impairment	32,815,617	128,555,012	(95,739,395)	
Finance charges	12,478,081	12,940,083	(462,002)	
Bulk purchases	50,043,145	49,276,690	766,455	
Other materials	-	-	-	
Contracted services	17,749,201	17,826,829	(77,628)	Over budgeted for expenditure that did not realise
Grants and subsidies paid	823,890	850,000	(26,110)	
Other expenditure	86,372,172	97,445,531	(11,073,359)	
Loss on disposal of PPE	341,301	4,214,000	(3,872,699)	Property sold with an unsolicited bid below the valuation on the register, but property not yet transferred.
<b>Total Operating Expenditure</b>	<b>380,634,018</b>	<b>471,374,287</b>	<b>(90,740,269)</b>	
<b>Operating Surplus/(Deficit) for the year</b>	<b>58,618,450</b>	<b>(73,532,625)</b>	<b>132,151,075</b>	

**THEEWATERSKLOOF MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

**ADJUSTMENTS TO APPROVED BUDGET**

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	2014 R Final Virements	2014 R (Final Year-end Budget)	Reasons for material adjustments
<b>REVENUE BY SOURCE</b>						
Property rates	60,047,001	(599,172)	59,447,829	-	59,447,829	
Property rates - penalties & collection charges	-	-	-	-	-	
Service charges	145,559,034	55,575	145,614,609	-	145,614,609	
Rental of facilities and equipment	1,420,000	21,000	1,441,000	-	1,441,000	
Interest earned - external investments	2,200,000	-	2,200,000	-	2,200,000	
Interest earned - outstanding debtors	4,000,000	4,000,000	8,000,000	-	8,000,000	Was under budgeted and adjusted according to projection of actual interest levied.
Dividends received	-	-	-	-	-	
Fines	8,019,000	5,013,000	13,032,000	-	13,032,000	Was under budgeted and adjusted according to projection of actual interest levied.
Licences and permits	2,508,000	62,000	2,570,000	-	2,570,000	
Agency services	2,100,000	100,000	2,200,000	-	2,200,000	
Transfers recognised	149,691,000	4,905,224	154,596,224	-	154,596,224	
Other revenue	9,296,272	(761,272)	8,535,000	-	8,535,000	
Gains on disposal of PPE	-	205,000	205,000	-	205,000	
<b>Total Operating Revenue</b>	<b>384,840,307</b>	<b>13,001,355</b>	<b>397,841,662</b>	<b>-</b>	<b>397,841,662</b>	
<b>EXPENDITURE BY TYPE</b>						
Employee related costs	127,223,432	(266,655)	126,956,777	-	126,956,777	
Remuneration of councillors	8,501,744	(148,239)	8,353,505	-	8,353,505	
Debt impairment	13,029,417	11,926,443	24,955,860	-	24,955,860	Adjusted according to recalculation of payment percentage Adjustment was made to include impairments of difference between valuation on asset register and general valuation roll
Depreciation & asset impairment	19,940,571	108,614,441	128,555,012	-	128,555,012	
Finance charges	13,730,846	(790,763)	12,940,083	-	12,940,083	
Bulk purchases	49,824,000	(547,310)	49,276,690	-	49,276,690	
Other materials	-	-	-	-	-	
Contracted services	18,299,829	(488,000)	17,811,829	15,000	17,826,829	
Grants and subsidies paid	850,000	-	850,000	-	850,000	
Other expenditure	77,192,364	20,268,167	97,460,531	(15,000)	97,445,531	Adjustment due to re-dividing the budget of housing between operational and capital To include selling of property not known at time of original budget compilation
Loss on disposal of PPE	-	4,214,000	4,214,000	-	4,214,000	
<b>Total Operating Expenditure</b>	<b>328,592,203</b>	<b>142,782,084</b>	<b>471,374,287</b>	<b>-</b>	<b>471,374,287</b>	
<b>Operating Surplus/(Deficit) for the year</b>	<b>56,248,104</b>	<b>(129,780,729)</b>	<b>(73,532,625)</b>	<b>-</b>	<b>(73,532,625)</b>	

The classification basis of the budget and financial statements are different and the statements of comparison of budget and actual amounts were compiled in terms of the budget classifications.

**THEEWATERSKLOOF MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

**COMPARISON OF ACTUAL AMOUNTS TO FINAL BUDGET**

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	198,752,657	192,467,067	6,285,590	
Government Grants	146,908,415	151,297,000	(4,388,585)	
Interest	12,171,451	10,200,000	1,971,451	According to debt collection policy interest is first subtracted from debtors payment
Dividends	-	-	-	
<b>Payments</b>				
Suppliers and Employees	(277,732,001)	(300,464,811)	22,732,810	
Finance charges	(12,478,081)	(14,521,609)	2,043,528	Loan for 2013/2014 not taken up, thus saving on finance charges.
Transfers and Grants	(823,890)	(850,000)	26,110	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>66,798,551</b>	<b>38,127,647</b>	<b>28,670,903</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	1,584,369	4,009,000	(2,424,631)	Property sold with an unsolicited bid, but property not yet transferred.
Decrease/(increase) in non-current receivables	585,787	5,356	580,431	
Decrease/(increase) in non-current investments	-	-	-	
<b>Payments</b>				
Capital assets	(62,946,682)	(69,980,237)	7,033,555	Underspending of approved capital budget due to delays by contractors.
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(60,776,528)</b>	<b>(65,965,881)</b>	<b>5,189,355</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	11,275,461	7,075,270	4,200,191	Taking up of loans approved in the 2012/2013 budget
Increase/(decrease) in consumer deposits	353,648	244,033	109,615	
<b>Payments</b>				
Repayment of borrowing	(6,977,661)	(7,010,934)	33,272	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>4,651,448</b>	<b>308,370</b>	<b>4,343,078</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>10,673,471</b>	<b>(27,529,864)</b>	<b>38,203,336</b>	
Cash and Cash Equivalents at the beginning of the year	27,544,916	27,544,916	(0)	
Cash and Cash Equivalents at the end of the year	38,218,387	15,052	38,203,336	

**THEEWATERSKLOOF MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

**ADJUSTMENTS TO APPROVED BUDGET**

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts</b>				
Ratepayers and other	215,919,890	(23,452,823)	192,467,067	
Government - operating	86,840,000	18,488,000	105,328,000	
Government - capital	62,851,000	(16,882,000)	45,969,000	
Interest	6,200,000	4,000,000	10,200,000	
Dividends	-	-	-	
<b>Payments</b>				
Suppliers and Employees	(281,041,369)	(19,423,442)	(300,464,811)	
Finance charges	(13,730,846)	(790,763)	(14,521,609)	
Transfers and Grants	-	(850,000)	(850,000)	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>77,038,675</b>	<b>(38,911,028)</b>	<b>38,127,647</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Receipts</b>				
Proceeds on disposal of Assets	-	4,009,000	4,009,000	
Decrease/(increase) in non-current receivables	-	5,356	5,356	
Decrease/(increase) in non-current investments	-	-	-	The municipality adjusted the budget in line with the latest requirements of GRAP.
<b>Payments</b>				
Capital assets	(73,594,333)	3,614,096	(69,980,237)	
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(73,594,333)</b>	<b>7,628,452</b>	<b>(65,965,881)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Receipts</b>				
Borrowing	7,075,270	-	7,075,270	
Increase/(decrease) in consumer deposits	250,470	(6,437)	244,033	
<b>Payments</b>				
Repayment of borrowing	(8,000,000)	989,067	(7,010,934)	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(674,260)</b>	<b>982,630</b>	<b>308,370</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>2,770,082</b>	<b>(30,299,946)</b>	<b>(27,529,864)</b>	
Cash and Cash Equivalents at the beginning of the year	9,027,734	18,517,182	27,544,916	
Cash and Cash Equivalents at the end of the year	11,797,816	(11,782,764)	15,052	

The classification basis of the budget and financial statements are different and the statements of comparison of budget and actual amounts were compiled in terms of the budget classifications.

## **1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

### **1.1. BASIS OF PREPARATION**

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised – Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations)	1 April 2014

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

**1.3. GOING CONCERN ASSUMPTION**

These financial statements have been prepared on a going concern basis.

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and based on the Municipal Budget and Reporting Regulations format. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements..



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements. Material differences for budget comparison purposes are being defined by Management as 10% of a specific line-item with a minimum of R1 million.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**1.8. 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:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 6</b> <b>(Revised – Nov 2010)</b>	<p><b>Consolidated and Separate Financial Statements</b></p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality does not have any entities at this stage to be consolidated.</p>	<b>Unknown</b>
<b>GRAP 8</b> <b>(Revised – Nov 2010)</b>	<p><b>Interest in Joint Ventures</b></p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<b>Unknown</b>
<b>GRAP 18</b> <b>(Original – Feb 2011)</b>	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	<b>1 April 2015</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 20</b> <b>(Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to formulate an Accounting Policy based on the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 32</b> <b>(Original – Aug 2013)</b>	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<b>Unknown</b>
<b>GRAP 105</b> <b>(Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 106</b> <b>(Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 107</b> <b>(Original – Nov 2010)</b>	<p><b>Mergers</b></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 108</b> <b>(Original – Sept 2013)</b>	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<b>Unknown</b>
<b>IGRAP 11</b>	<p><b>Consolidation - Special Purpose Entities (SPE)</b></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<b>Unknown</b>
<b>IGRAP 12</b>	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.9. RESERVES**

### **1.9.1. 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/ to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

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**1.9.2. Social Contribution Reserve**

Theewaterskloof Municipality's approach to ensuring Social upliftment is underpinned by the view of achieving realistic balance between meeting the development needs of our communities while simultaneously ensuring that the particular project makes financially viable sense for the Municipality, i.e. deriving value for our business.

In this context, the primary objectives of this policy are to:

- Ascribe relevant and notable contributions to Development and Construction companies to the social development agenda related solely to initiatives targeted for the previously disadvantaged communities. This can include, but is not limited to education programs, community programs, job creation initiatives, Health programs, conservation, community tourism initiatives and marketing initiatives to develop the local black tourist market.
- Nurture a reputation amongst our stakeholders (businesses) for being compassionate organizations playing its part in the upliftment of the poorest of the poor within our Municipal jurisdiction.
- As a local government, we are able to guide business sector into focus areas, which our communities have identified as their priority areas (through the IDP engagements), where private sector contributions would make a tangible difference.

Theewaterskloof Municipality recognises that business are not social development experts and therefore, the social development contributions ascribed can be contributed via the mechanism of financial and/or in-kind grant making, to the Municipality.

Contribution: 1% of selling price of property.

**1.9.3. Revaluations Reserve**

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance. .

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**1.10. LEASES**

**1.10.1. Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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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.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**1.10.2. Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

**1.11. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
  - The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
  - Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.12. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

**1.13. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

**1.14. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

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.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

**1.15. EMPLOYEE BENEFITS**

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

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

**1.15.1. Post Retirement Medical Obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

**1.15.2. Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation. .

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

**1.15.3. Provision for Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

**1.15.4. Staff Bonuses Accrued**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

**1.15.5. Provision for Performance Bonuses**



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipal performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

**1.15.6. Pension and retirement fund obligations**

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**1.15.7. Other Short-term Employee Benefits**

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

**1.16. BORROWING COSTS**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

**1.17. PROPERTY, PLANT AND EQUIPMENT**

**1.17.1. 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 the cost or fair value of the item can be

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by 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.

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

**1.17.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

**1.17.3. Subsequent Measurement – Revaluation Model**

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in the Statement of Financial Performance, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**1.17.4. Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	<b>Years</b>		<b>Years</b>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads and Stormwater	5 - 150	Buildings	20 - 100
Refuse	20 - 50	Specialist vehicles	10 - 35
Electricity	10 - 100	Other vehicles	5 - 30
Water	10 - 200	Office equipment	3 - 15
Sewerage	10 - 200	Furniture and fittings	5-20
Housing	20 - 100	Watercraft	15 - 30
		Bins and containers	5 - 15
<b><u>Community</u></b>		Specialised plant and	
Buildings	20 - 100	Equipment	5 - 35
Recreational Facilities	20-30	Other plant and	
Security	5 - 15	Equipment	2- 25
Halls	20-30	Landfill sites	20 - 100
Libraries	20-30	Quarries	20 - 100
Parks and gardens	15-20	Emergency equipment	5 - 25
Other assets	15-30	Computer equipment	3 - 15
<b><u>Finance lease assets</u></b>			
Office equipment	3 - 15		
Other assets	5 – 15		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.17.5. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed 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 item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.18. INTANGIBLE ASSETS**

**1.18.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

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

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 never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

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

**1.18.2. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.18.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5-10

**1.18.4. De-recognition**

Intangible assets are derecognised when the asset is disposed 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 sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.19. INVESTMENT PROPERTY****1.19.1. Initial Recognition**

Investment property is recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property 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. Property with a currently undetermined use, is also classified as investment property.

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 measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.19.2. Subsequent Measurement – Fair Value Model**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss

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arising from a change in the fair value of the property is recognised in the Statement of Financial Performance for the period in which it arises.

**1.19.3. De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.20. HERITAGE ASSETS**

**1.20.1. Initial Recognition**

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.

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

A heritage asset that qualifies for recognition as an asset, is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

**1.20.2. Subsequent Measurement – Revaluation Model**

After recognition as an asset, heritage assets are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in Statement of Financial Performance to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in the Statement of Financial Performance.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Statement of Financial Performance. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

**1.20.3. Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been

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recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.20.4. De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

**1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.21.1. Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
  - During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
  - Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
  - Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.
- (b) Internal sources of information
  - Evidence is available of obsolescence or physical damage of an asset.
  - Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
  - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment

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loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount

that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.21.2. Non-cash-generating assets**

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near



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future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. 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 is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

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

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

## **1.22. INVENTORIES**

### **1.22.1. Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are 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 the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable 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.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

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.

### **1.22.2. Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. 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.

The basis of allocating cost to inventory items is the weighted average method.

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Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

**1.23. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

**1.23.1. Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

**1.23.2. Subsequent Measurement**

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.23.2.1. Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

Receivables for fines outstanding for more than one year as at the reporting date are impaired.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.23.2.2. Payables and Annuity Loans**

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.23.2.3. Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that 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, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

**1.23.2.4. Non-Current Investments**

Investments which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.23.3. De-recognition of Financial Instruments**

**1.23.3.1. Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.23.3.2. Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.23.4. Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

**1.24. REVENUE**

**1.24.1. Revenue from Non-Exchange Transactions**

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

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of iGRAP 1, as there is no intention of collecting this revenue.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Fine revenue is recognised as from 1 July 2013 prospectively in terms of changes to 1GRAP1, when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations 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 qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months, in which case it will be expensed.

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.

Revenue is measured at the fair value of the consideration received or receivable.

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

**1.24.2. Revenue from Exchange Transactions**

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

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

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

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

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

**1.25. RELATED PARTIES**

The Municipality resolved to formulate an Accounting Policy based on the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

**1.26. UNAUTHORISED EXPENDITURE**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.27. 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, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.28. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.29. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

**1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

**1.30.1. *Post retirement medical obligations and Long service awards***

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

**1.30.2. Impairment of Receivables**

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

**1.30.3. Property, Plant and Equipment**

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement 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.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

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**1.30.4. Intangible Assets**

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

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

**1.30.5. Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

**1.30.6. Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

**1.30.7. Revenue Recognition**

Accounting Policy 1.24.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, 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.), specifically, 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 are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.30.8. Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is 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 recognised in the Statement of Financial Performance. All landfills sites are fully contaminated and therefore fully provided for the cost of rehabilitation.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.

**1.30.9. Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

**1.30.10. Provision for Performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

**1.30.11. Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days worth of unused electricity.

**1.30.12. Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives.

**1.31. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.32. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.33. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

	2014 R	2013 R
<b>2 NET ASSET RESERVES</b>		
Capital Replacement Reserve	6,499,770	499,770
Revaluations Reserve	81,275,442	41,091,455
Social Contributions Reserve	55,278	55,278
<b>Total Net Asset Reserves</b>	<b>87,830,490</b>	<b>41,646,503</b>

<b>3 LONG-TERM LIABILITIES</b>		
Annuity Loans - At amortised cost	99,977,045	95,637,176
Capitalised Lease Liability - At amortised cost	64,505	106,576
Stock loans	17,022,971	17,022,971
	<b>117,064,522</b>	<b>112,766,723</b>
Current Portion transferred to Current Liabilities	<b>(6,973,907)</b>	<b>(6,978,681)</b>
Annuity Loans - At amortised cost	(6,909,402)	(6,936,610)
Capitalised Lease Liability - At amortised cost	(64,505)	(42,071)
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>110,090,615</b>	<b>105,788,042</b>

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year	17,229,200	16,797,201
Payable within two to five years	64,064,802	58,724,358
Payable after five years	97,454,665	102,146,159
	178,748,666	177,667,717
<b>Less: Future finance obligations</b>	<b>(78,771,621)</b>	<b>(82,030,542)</b>
<b>Present value of annuity obligations</b>	<b>99,977,045</b>	<b>95,637,175</b>

Annuity loans at amortised cost is calculated at 9.29%-16.5% interest rate, with first maturity date of 30 June 2013 and last maturity date of 31 December 2030.

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year	93,066	139,599
Payable within two to five years	-	93,066
	93,066	232,665
<b>Less: Future finance obligations</b>	<b>(28,561)</b>	<b>(126,089)</b>
<b>Present value of lease obligations</b>	<b>64,505</b>	<b>106,576</b>

The capitalised lease liability consist out of the following contracts:

<u>Supplier</u>	<u>Description of leased item</u>	<u>Effective Interest rate</u>	<u>Annual Escalation</u>	<u>Lease Term</u>	<u>Maturity Date</u>
DFA Solutions	Laptop computers	9%	0%	3 Years	28/02/2015

Leases are secured by property, plant and equipment, which consist of laptop computers - Note 13



## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

## 3 LONG-TERM LIABILITIES (CONTINUE)

The obligations under stock loans are scheduled below:

Amounts payable under stock loans:

Payable within one year

Payable within two to five years

Payable after five years

**Less:** Future finance obligations

**Present value of stock loan obligations**

2014  
R

2013  
R

Minimum  
stock loan payments

1,597,949	1,598,273
6,397,496	6,004,346
26,936,971	28,928,069
34,932,415	36,530,688
(17,909,445)	(19,507,718)
<b>17,022,971</b>	<b>17,022,971</b>

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

## 4 EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 4.1

Long Service Awards - Refer to Note 4.2

**Total Non-current Employee Benefit Liabilities**

38,160,863	30,573,825
4,572,357	4,191,755
<b>42,733,220</b>	<b>34,765,580</b>

**Post Retirement Benefits**

Balance 1 July

Contribution for the year

Interest Cost

Expenditure for the year

Actuarial Loss/ (Gain)

**Total post retirement benefits 30 June**

**Less:** Transfer of Current Portion - Note 7

**Balance 30 June**

31,670,577	29,679,626
1,948,763	2,105,785
2,733,505	2,314,910
(1,164,956)	(1,065,782)
4,183,018	(1,363,962)
<b>39,370,907</b>	<b>31,670,577</b>
(1,210,044)	(1,096,752)
<b>38,160,863</b>	<b>30,573,825</b>

**Long Service Awards**

Balance 1 July

Contribution for the year

Interest Cost

Expenditure for the year

Actuarial Loss

**Total long service 30 June**

**Less:** Transfer of Current Portion - Note 7

**Balance 30 June**

4,565,521	3,890,156
606,655	542,491
328,770	248,177
(343,708)	(371,965)
(166,803)	256,662
<b>4,990,435</b>	<b>4,565,521</b>
(418,078)	(373,766)
<b>4,572,357</b>	<b>4,191,755</b>

**TOTAL NON-CURRENT EMPLOYEE BENEFITS**

Balance 1 July

Contribution for the year

Interest cost

Expenditure for the year

Actuarial (Gain)/ Loss

**Total employee benefits 30 June**

**Less:** Transfer of Current Portion - Note 7

**Balance 30 June**

36,236,098	33,569,782
2,555,418	2,648,276
3,062,275	2,563,087
(1,508,665)	(1,437,747)
4,016,215	(1,107,300)
<b>44,361,342</b>	<b>36,236,098</b>
(1,628,122)	(1,470,518)
<b>42,733,220</b>	<b>34,765,580</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

**4 EMPLOYEE BENEFITS (CONTINUE)**

**2014  
R**                      **2013  
R**

**4.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	166	151
In-service (employee) non-members	410	414
Continuation members (e.g. Retirees, widows, orphans)	34	33
<b>Total Members</b>	<b>610</b>	<b>598</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	17,485,290	12,749,078
In-service non-members	5,010,454	3,894,959
Continuation members	16,875,163	15,026,540
<b>Total Liability</b>	<b>39,370,907</b>	<b>31,670,577</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	<b>2013 R</b>	<b>2012 R</b>	<b>2011 R</b>	<b>2010 R</b>
Members	31,670,577	29,679,626	26,514,500	19,691,820
<b>Total Liability</b>	<b>31,670,577</b>	<b>29,679,626</b>	<b>26,514,500</b>	<b>19,691,820</b>

Experience adjustments were calculated as follows:

	<b>2014 R</b>	<b>2013 R</b>	<b>2012 R</b>	<b>2011 R</b>	<b>2010 R</b>
Liabilities: (Gain) / loss	2,747,000	(384,000)	(1,390,000)	4,680,000	-
Assets: Gain / (loss)				-	-

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

Bonitas;  
LA Health;  
Hosmed;  
Samwumed; and  
Keyhealth.

The Future-service Cost for the ensuing year is estimated to be R2 687 900, whereas the Interest Cost for the next year is estimated to be R3 509 800.

**Sensitivity Analysis on the future service cost and interest cost**

<b>Assumption</b>	<b>Current Service Cost R</b>	<b>Interest Cost R</b>	<b>Total R</b>	<b>% change</b>
Central Assumptions	2,687,900	3,509,800	6,197,700	
The effect of movements in the assumptions are as follows:				
Health care inflation 1%	3,209,300	4,051,000	7,260,300	17%
Health care inflation -1%	2,234,300	3,043,500	5,277,800	-15%
Discount rate 1%	2,204,900	3,349,800	5,554,700	-10%
Discount rate -1%	3,322,100	3,678,000	7,000,100	13%
Post-retirement mortality -1 year	2,778,100	3,641,800	6,419,900	4%
Average retirement age -1 year	2,800,400	3,698,000	6,498,400	5%
Continuation of membership at retirement -10%	2,117,600	3,058,100	5,175,700	-16%
			<b>2014</b>	<b>2013</b>
			<b>%</b>	<b>%</b>
Key actuarial assumptions used:				
<b>i) Rate of interest</b>				
Discount rate			9.05%	8.78%
Health Care Cost Inflation Rate			8.23%	7.67%
Net Effective Discount Rate			0.76%	1.03%

A discount rate of 9,05% per annum has been used. The corresponding index-linked yield at this term is 1,70%. These rates do not reflect any adjustment for taxation. These rates were deduced from the JSE Zero Coupon bond yield after the market close on 30 June 2014.

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

**iii) Normal retirement age**

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

<b>4 EMPLOYEE BENEFITS (CONTINUE)</b>	<b>2014</b>	<b>2013</b>
	<b>R</b>	<b>R</b>
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	39,370,907	31,670,577
<b>Net liability</b>	<b>39,370,907</b>	<b>31,670,577</b>
<b>Reconciliation of present value of fund obligation:</b>		
Present value of fund obligation at the beginning of the year	31,670,577	29,679,626
Total expenses	3,517,312	3,354,913
Current service cost	1,948,763	2,105,785
Interest Cost	2,733,505	2,314,910
Benefits Paid	(1,164,956)	(1,065,782)
Actuarial loss	4,183,018	(1,363,962)
Present value of fund obligation at the end of the year	39,370,907	31,670,577
<b>Less:</b> Transfer of Current Portion - Note 7	(1,210,044)	(1,096,752)
<b>Balance 30 June</b>	<b>38,160,863</b>	<b>30,573,825</b>

**Sensitivity Analysis on the Accrued Liability**

<b>Assumption</b>	<b>In-service members liability</b>	<b>Continuation members liability</b>	<b>Total liability (Rm)</b>
Central Assumptions	17,485,290	16,875,163	34,360,453

The effect of movements in the assumptions are as follows:

<b>Assumption</b>	<b>Change</b>	<b>In-service members liability (R)</b>	<b>Continuation members liability (R)</b>	<b>Total liability (R)</b>	<b>% change</b>
Health care inflation	1%	26,620,000	18,730,000	45,350,000	15%
Health care inflation	-1%	18,944,000	15,275,000	34,219,000	-13%
Discount Rate	1%	18,621,000	15,299,000	33,920,000	-14%
Discount Rate	-1%	27,544,000	18,734,000	46,278,000	18%
Post-retirement mortality	-1 year	23,262,000	17,567,000	40,829,000	4%
Average retirement age	-1 year	24,575,000	16,875,000	41,450,000	5%
Continuation of membership at retirement	-10%	17,505,000	16,875,000	34,380,000	-13%

<b>Assumption</b>	<b>Change</b>	<b>Current-service Cost (R)</b>	<b>Interest Cost (R)</b>	<b>Total (R)</b>	<b>% change</b>
<b>Central Assumption</b>		1,948,800	2,733,500	4,682,300	
Health care inflation	1%	2,307,800	3,139,200	5,447,000	16%
Health care inflation	-1%	1,640,400	2,390,000	4,030,400	-14%
Post-retirement mortality	-1 year	2,011,100	2,833,900	4,845,000	3%
Average retirement age	-1 year	2,211,600	2,873,300	5,084,900	9%
Withdrawal Rate	-50%	2,309,000	2,936,000	5,245,000	12%

**4.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

576	565
-----	-----

Key actuarial assumptions used:

	<b>2014</b>	<b>2013</b>
	<b>%</b>	<b>%</b>
<b>i) Rate of interest</b>		
Discount rate	8.11%	7.50%
General Salary Inflation (long-term)	7.21%	6.85%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.84%	0.61%

The discount rate of 8,11% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1,32%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2014.

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

Present value of fund obligations	4,990,435	4,565,521
<b>Net liability</b>	<b>4,990,435</b>	<b>4,565,521</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

<b>4</b>	<b>EMPLOYEE BENEFITS (CONTINUE)</b>			<b>2014</b>	<b>2013</b>
				<b>R</b>	<b>R</b>
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:				
		<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
	<b>Total Liability</b>	<b>4,565,521</b>	<b>3,890,156</b>	<b>3,252,067</b>	<b>2,654,371</b>
	Experience adjustments were calculated as follows:	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
		<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
	Liabilities: (Gain) / loss	(63,677)	(246,582)	21,373	(25,172)
	Assets: Gain / (loss)			-	-
	<b>Reconciliation of present value of fund obligation:</b>			<b>2014</b>	<b>2013</b>
				<b>R</b>	<b>R</b>
	Present value of fund obligation at the beginning of the year			4,565,521	3,890,156
	Total expenses			591,717	418,703
	Current service cost			606,655	542,491
	Interest Cost			328,770	248,177
	Benefits Paid			(343,708)	(371,965)
	Actuarial loss			(166,803)	256,662
	Present value of fund obligation at the end of the year			4,990,435	4,565,521
	<b>Less:</b> Transfer of Current Portion - Note 7			(418,078)	(373,766)
	<b>Balance 30 June</b>			<b>4,572,357</b>	<b>4,191,755</b>
	<b>Sensitivity Analysis on the Unfunded Accrued Liability</b>				
	<b>Assumption</b>	<b>Change</b>	<b>Liability (Rm)</b>	<b>% change</b>	
	Central assumptions		4,990		
	General salary inflation	1%	5,372	8%	
	General salary inflation	-1%	4,649	-7%	
	Discount Rate	1%	4,634	-7%	
	Discount Rate	-1%	5,396	8%	
	Average retirement age	-2 yrs	4,204	-16%	
	Average retirement age	2 yrs	5,644	13%	
	Withdrawal rates	-50%	6,278	26%	

**4.3 Retirement funds**

**CAPE JOINT PENSION FUND**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

**CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1% (30 June 2012 - 108.0%).

**CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 99.7% (30 June 2012 - 99.4%).

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

4 EMPLOYEE BENEFITS (CONTINUE)

**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	2014 R	2013 R
<b>5 NON-CURRENT PROVISIONS</b>		
Provision for Rehabilitation of Landfill-sites	25,965,070	24,980,081
<b>Total Non-current Provisions</b>	<b>25,965,070</b>	<b>24,980,081</b>
<b><u>Landfill Sites</u></b>		
Balance 1 July	24,980,081	23,898,119
Contribution for the year	984,989	1,081,963
<b>Total provision 30 June</b>	<b>25,965,070</b>	<b>24,980,081</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 8	-	-
<b>Balance 30 June</b>	<b>25,965,070</b>	<b>24,980,081</b>

The municipality did not, as yet, rehabilitate any of its Landfill sites which are full, neither budgeted for the outflows in the Medium Term Revenue and Expenditure Framework. All Landfill Sites are fully contaminated, although not fully utilised. The provision is in respect of the rehabilitation costs of all contaminated areas.

6 CONSUMER DEPOSITS

Water & Electricity	3,659,875	3,306,227
<b>Total Consumer Deposits</b>	<b>3,659,875</b>	<b>3,306,227</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>219,717</b>	<b>238,217</b>

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

7 CURRENT EMPLOYEE BENEFITS

	2014 R	2013 R
Current Portion of Post Retirement Benefits - Note 4	1,210,044	1,096,752
Current Portion of Long-Service Provisions - Note 4	418,078	373,766
Staff Leave	8,405,940	7,794,181
Performance Bonuses	653,354	484,953
Annual Bonuses	2,967,709	2,734,793
Compensation for injuries on duty contribution	-	-
Pension	52,274	74,000
Group Insurance	190,437	141,864
<b>Total Current Employee Benefits</b>	<b>13,897,836</b>	<b>12,700,308</b>

The movement in current employee benefits are reconciled as follows:

**Staff Leave**

Balance at beginning of year	7,794,181	10,482,871
Contribution / (reversal) for the year - Note 30	1,328,584	(1,657,061)
Expenditure incurred	(716,825)	(1,031,630)
<b>Balance at end of year</b>	<b>8,405,940</b>	<b>7,794,181</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

<b>7</b>	<b>CURRENT EMPLOYEE BENEFITS (CONTINUED)</b>	<b>2014 R</b>	<b>2013 R</b>
	<b><u>Performance Bonuses</u></b>		
	Balance at beginning of year	484,953	579,733
	Contribution / (reversal) for the year	782,790	462,172
	Expenditure incurred	(614,389)	(556,953)
	Balance at end of year	<b>653,354</b>	<b>484,953</b>
	Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.		
	<b><u>Annual Bonuses</u></b>		
	Balance at beginning of year	2,734,793	2,584,120
	Contribution for the year	6,305,337	5,657,238
	Expenditure incurred	(6,072,421)	(5,506,565)
	Balance at end of year	<b>2,967,709</b>	<b>2,734,793</b>
	Annual bonuses are being paid as a 13th cheque in November of each year. There is no possibility of reimbursement.		
	<b><u>Compensation for injuries on duty contribution</u></b>		
	Balance at beginning of year	-	810,366
	Contribution for the year	-	210,089
	Expenditure incurred	-	(1,020,455)
	Balance at end of year	<b>-</b>	<b>-</b>
	The compensation for injuries on duty contribution represents, if the municipality had a current liability, the portion that has not yet been paid over to the relevant authorities.		
	<b><u>Pension</u></b>		
	Balance at beginning of year	74,000	128,604
	Expenditure incurred	(21,726)	(54,604)
	Balance at end of year	<b>52,274</b>	<b>74,000</b>
	Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.		
	<b><u>Group Insurance</u></b>		
	Fair Value at beginning of year	141,864	114,781
	Fair Value adjustment during the year.	48,573	27,083
	Fair value at end of year	<b>190,437</b>	<b>141,864</b>
	Shares accruing and to be apportioned to staff contributing to the Sanlam Group insurance scheme. The timing of the payment is uncertain. The possibility of reimbursement is being investigated.		
<b>8</b>	<b>PROVISIONS</b>		
	Current Portion of Rehabilitation of Landfill-sites - Note 5	-	-
	<b>Total Provisions</b>	<b>-</b>	<b>-</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

## 9 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	19,156,861	23,478,357
Interest Accrued	1,308,374	1,374,789
Payments received in advance	2,490,201	2,915,874
Prepaid unused electricity units	680,794	527,699
Retentions	14,789,954	10,270,477
Sundry Deposits	829,655	942,240
Land Sales deposits	132,296	155,147
<b>Total Trade Payables</b>	<b>39,388,135</b>	<b>39,664,583</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts. The municipality did not default on any of its obligations.

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include Hall, Builders and Housing Deposits.

## 10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

## Unspent Grants

National Government Grants  
Provincial Government Grants  
Other Grant Providers

823,297 4,667,034

**Less:** Unpaid Grants

National Government Grants  
Provincial Government Grants

6,313,484 2,377,909

**Total Conditional Grants and Receipts**

**(5,490,187) 2,289,126**

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. An amount of R76 000 was withheld from the Equitable Share for an prior period unspent balance of the Neighbourhood Development Program Grant.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

## 11 UNSPENT PUBLIC CONTRIBUTIONS

HAN - Hogeschool van Arnhem en Nijmegen  
IDC - Industrial Development Corporation

**2014 R 2013 R**

222,011 227,349  
266,388 634,772

Total Unspent Public Contributions

**488,399 862,120**

**Reconciliation of public contributions****HAN**

Opening balance  
Contributions received  
Conditions met - Transferred to revenue

227,349 167,235  
925,329 897,464  
(930,666) (837,350)

Closing balance

**222,011 227,349**

The grant is for the upliftment of previously disadvantaged communities

**Industrial Development Corporation**

Opening balance  
Contributions received  
Conditions met - Transferred to revenue

634,772 -  
- 800,000  
(368,384) (165,228)

Closing balance

**266,388 634,772**

The grant is for the promotion of local economic development and tourism.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

12 TAXES

12.1 VAT PAYABLE

VAT Payable	8,170,659	11,720,681
Less: Contribution to provision for impairment of trade receivables from exchange transactions	(6,815,167)	(10,083,725)
Vat payable	<u>1,355,492</u>	<u>1,636,956</u>

12.2 VAT RECEIVABLE

VAT Receivable	1,219,981	4,940,903
Total VAT receivable	<u>1,219,981</u>	<u>4,940,903</u>

12.3 NET VAT RECEIVABLE/(PAYABLE)

<u>(135,512)</u>	<u>3,303,947</u>
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VAT is receivable/payable on the cash basis.



THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value

Reconciliation of Carrying Value	Cost						Accumulated Depreciation Charges and Impairment Losses						Carrying Value		
	Opening Balance R	Correction of error R	Additions R	Revaluations	Impairments R	Disposals R	Closing Balance R	Opening Balance R	Correction of error	Additions R	Correction of error	Revaluation Reversal R	Disposals R	Closing Balance R	R
Land and Buildings	136,551,448	-	7,667,831	39,202,848	8,608,050	-	174,814,077	-	-	981,130	-	(981,130)	-	-	174,814,077
Land	41,991,372	-	6,882,601	1,679,110	108,643	-	50,444,440	-	-	981,130	-	(981,130)	-	-	50,444,440
Buildings	94,560,077	-	785,230	37,523,738	8,499,407	-	124,369,637	-	-	-	-	-	-	-	124,369,637
Infrastructure	462,538,674	-	52,614,205	-	-	136,325	515,016,554	72,001,591	-	7,175,972	-	-	63,916	79,113,647	435,902,907
Roads and Storm water	111,448,682	-	5,191,749	-	-	136,325	116,504,106	31,959,507	-	2,421,501	-	-	63,916	34,317,092	82,187,015
Electricity Network	45,813,350	-	4,038,358	-	-	-	49,851,708	8,330,515	-	1,084,305	-	-	-	9,414,820	40,436,887
Sewerage Network	111,745,470	-	18,606,653	-	-	-	130,352,123	12,615,327	-	1,099,757	-	-	-	13,715,084	116,637,039
Water Network	123,210,651	-	8,116,009	-	-	-	131,326,660	18,509,601	-	2,467,699	-	-	-	20,977,300	110,349,360
Refuse Removal	1,538,741	-	-	-	-	-	1,538,741	139,452	-	13,273	-	-	-	152,726	1,386,015
Housing Infrastructure	68,781,780	-	16,661,436	-	-	-	85,443,216	447,187	-	89,437	-	-	-	536,625	84,906,591
Community Assets	1,217,194	-	-	-	-	-	1,217,194	201,259	-	57,459	-	-	-	258,718	958,476
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks & Gardens	1,015,494	-	-	-	-	-	1,015,494	147,470	-	50,740	-	-	-	198,210	817,284
Cemeteries	201,699	-	-	-	-	-	201,699	53,789	-	6,719	-	-	-	60,508	141,191
Lease Assets	361,600	-	-	-	-	-	361,600	192,033	-	56,789	-	-	-	248,822	112,778
Office Equipment	361,600	-	-	-	-	-	361,600	192,033	-	56,789	-	-	-	248,822	112,778
Other Assets	37,179,233	-	2,714,147	-	35,000	620,694	39,237,686	8,882,084	-	1,682,432	-	-	143,106	10,421,410	28,816,276
Vehicles	3,819,528	-	-	-	-	252,080	3,567,448	623,883	-	84,213	-	-	25,370	682,727	2,884,721
Tools & Equipment	3,778,343	-	537,626	-	-	5,969	4,309,999	1,069,119	-	357,174	-	-	1,612	1,424,681	2,885,318
Furniture	1,214,352	-	167,328	-	-	-	1,381,680	419,568	-	68,867	-	-	-	488,435	893,245
Equipment	3,084,602	-	407,335	-	-	11,783	3,480,154	1,327,806	-	266,879	-	-	2,453	1,592,231	1,887,923
Special Vehicles	19,512,009	-	377,914	-	35,000	321,136	19,533,787	3,494,509	-	440,492	-	-	97,883	3,837,119	15,696,668
Tables	393,949	-	16,290	-	-	-	410,239	139,641	-	22,662	-	-	-	162,303	247,936
Chairs	709,019	-	-	-	-	4,180	704,839	210,415	-	40,502	-	-	1,469	249,448	455,391
Office Equipment	1,803,028	-	335,497	-	-	2,456	2,136,069	699,662	-	155,953	-	-	1,286	854,329	1,281,740
Computer Hardware	2,743,894	-	872,157	-	-	23,090	3,592,962	878,668	-	237,662	-	-	13,034	1,103,296	2,489,666
Other	120,510	-	-	-	-	-	120,510	18,812	-	8,028	-	-	-	26,840	93,669
	637,848,149	-	62,996,183	39,202,848	8,643,050	757,019	730,647,110	81,276,967	-	9,953,781	-	(981,130)	207,022	90,042,596	640,604,514

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

30 JUNE 2013

Reconciliation of Carrying Value

	Cost							Accumulated Depreciation Charges and Impairment Losses							Carrying Value	
	Opening Balance R	Correction of error - Note 40.01 R	Additions R	Revaluations	Impairment and Disposals R	Residual Value Disposals R	Closing Balance R	Opening Balance R	Correction of error	Additions R	Correction of error	Revaluation Reversal R	Disposals R	Closing Balance R	R	R
<b>Land and Buildings</b>	<b>103,800,900</b>	<b>2,341,011</b>	<b>4,613,192</b>	<b>33,372,876</b>	<b>7,576,531</b>	<b>-</b>	<b>136,551,448</b>	<b>-</b>	<b>285,792</b>	<b>603,212</b>	<b>(285,792)</b>	<b>(603,212)</b>	<b>-</b>	<b>-</b>	<b>136,551,448</b>	
Land	47,062,600	(3,559,628)	170,031	3,148,900	4,830,531	-	41,991,372	-	-	-	-	-	-	-	41,991,372	
Buildings	56,738,300	5,900,640	4,443,162	30,223,976	2,746,000	-	94,960,077	-	285,792	603,212	(285,792)	(603,212)	-	-	94,960,077	
<b>Infrastructure</b>	<b>382,528,671</b>	<b>-</b>	<b>81,262,969</b>	<b>-</b>	<b>-</b>	<b>1,252,966</b>	<b>462,538,674</b>	<b>66,819,818</b>	<b>-</b>	<b>5,851,140</b>	<b>-</b>	<b>-</b>	<b>669,368</b>	<b>72,001,591</b>	<b>390,537,083</b>	
Roads and Storm water	104,118,769	-	8,571,122	-	-	1,241,209	111,448,682	30,349,551	-	2,268,853	-	-	658,897	31,959,507	79,489,175	
Electricity Network	37,936,317	-	7,888,790	-	-	11,757	45,813,350	7,465,122	-	875,865	-	-	10,471	8,330,515	37,482,834	
Sewerage Network	90,648,516	-	21,096,954	-	-	-	111,745,470	11,559,634	-	1,055,693	-	-	-	12,615,327	99,130,143	
Water Network	112,964,695	-	10,245,956	-	-	-	123,210,651	16,961,582	-	1,548,019	-	-	-	18,509,601	104,701,049	
Refuse Removal	1,191,613	-	347,127	-	-	-	1,538,741	126,179	-	13,273	-	-	-	139,452	1,399,289	
Housing	35,668,761	-	33,113,019	-	-	-	68,781,780	357,750	-	89,437	-	-	-	447,187	68,334,593	
<b>Community Assets</b>	<b>401,088</b>	<b>-</b>	<b>816,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,217,194</b>	<b>180,396</b>	<b>-</b>	<b>20,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>201,259</b>	<b>1,015,935</b>	
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Community Halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Parks & Gardens	199,389	-	816,105	-	-	-	1,015,494	133,327	-	14,144	-	-	-	147,470	868,024	
Cemeteries	201,699	-	-	-	-	-	201,699	47,070	-	6,719	-	-	-	53,789	147,910	
<b>Lease Assets</b>	<b>339,000</b>	<b>-</b>	<b>22,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>361,600</b>	<b>138,423</b>	<b>-</b>	<b>53,610</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>192,033</b>	<b>169,566</b>	
Office Equipment	339,000	-	22,600	-	-	-	361,600	138,423	-	53,610	-	-	-	192,033	169,566	
<b>Other Assets</b>	<b>35,814,974</b>	<b>-</b>	<b>1,607,798</b>	<b>-</b>	<b>-</b>	<b>243,539</b>	<b>37,179,233</b>	<b>7,373,913</b>	<b>-</b>	<b>1,579,751</b>	<b>-</b>	<b>-</b>	<b>71,580</b>	<b>8,882,084</b>	<b>28,297,149</b>	
Vehicles	3,886,671	-	-	-	-	67,144	3,819,528	553,155	-	87,667	-	-	16,939	623,883	3,195,644	
Tools & Equipment	3,285,088	-	493,255	-	-	-	3,778,343	744,803	-	324,317	-	-	-	1,069,119	2,709,223	
Furniture	1,187,426	-	26,926	-	-	-	1,214,352	352,982	-	66,586	-	-	-	419,568	794,784	
Equipment	2,882,996	-	201,606	-	-	-	3,084,602	1,075,466	-	252,340	-	-	-	1,327,806	1,756,796	
Special Vehicles	19,374,222	-	263,787	-	-	126,000	19,512,009	3,111,737	-	432,264	-	-	49,492	3,494,509	16,017,501	
Tables	371,832	-	22,117	-	-	-	393,949	118,031	-	21,610	-	-	-	139,641	254,308	
Chairs	678,265	-	30,754	-	-	-	709,019	170,764	-	39,650	-	-	-	210,415	498,604	
Office Equipment	1,560,862	-	244,562	-	-	2,396	1,803,028	558,897	-	141,368	-	-	602	699,662	1,103,365	
Computer Hardware	2,419,102	-	324,792	-	-	-	2,743,894	673,947	-	204,721	-	-	-	878,668	1,865,226	
Other	168,510	-	-	-	-	48,000	120,510	14,131	-	9,228	-	-	4,547	18,812	101,697	
	<b>522,884,633</b>	<b>2,341,011</b>	<b>88,322,664</b>	<b>33,372,876</b>	<b>7,576,531</b>	<b>1,496,505</b>	<b>637,848,149</b>	<b>74,512,550</b>	<b>285,792</b>	<b>8,108,577</b>	<b>(285,792)</b>	<b>(603,212)</b>	<b>740,948</b>	<b>81,276,967</b>	<b>556,571,182</b>	

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

13	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2014 R	2013 R
	<b>Assets pledged as security:</b>		
	No property, plant and equipment, save for those financed from finance leases, are pledged as security for finance.		
	<b>Third party payments received for losses incurred:</b>		
	Payments received (Excluding VAT)	226,910	401,174
	Surplus/Deficit	<b>226,910</b>	<b>401,174</b>
	<b>Impairment of property plant and equipment for the year</b>		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance.		
	Land and Buildings	8,643,050	7,576,531
		<b>8,643,050</b>	<b>7,576,531</b>
	The current economic climate with resultant declining property values is the main reason for impairment charges.		
	Fair value of Land and Buildings was determined by a registered Valuator - Mr W.M. De Kock of W.M. de Kock and Associates. The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.		
		<b>2014 R</b>	<b>2013 R</b>
	<b>Fully Depreciated assets still in use were as follows:</b>	<b>98,000</b>	<b>18,000</b>
	<b>Carrying value of property plant and equipment in the course of construction:</b>	<b>47,749,490</b>	<b>52,261,422</b>
	<b>Reconciliation of revaluation surplus:</b>		
	Opening balance	41,091,455	11,422,657
	Movement for the period	40,183,987	29,668,798
	Closing balance	<b>81,275,442</b>	<b>41,091,455</b>
14	<b>CAPITALISED RESTORATION COST</b>	<b>2014 R</b>	<b>2013 R</b>
	<b>Net Carrying amount at 1 July</b>	<b>136,945</b>	<b>186,592</b>
	Cost	3,432,613	3,432,613
	Accumulated Depreciation	(3,212,825)	(3,166,855)
	Accumulated Impairments	(82,843)	(79,166)
	Depreciation for the year	(45,223)	(45,970)
	Impairment for the year	(2,359)	(3,677)
	<b>Net Carrying amount at 30 June</b>	<b>89,363</b>	<b>136,945</b>
	Cost	3,432,613	3,432,613
	Accumulated Depreciation	(3,258,049)	(3,212,825)
	Accumulated Impairments	(85,202)	(82,843)

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

15	<b>INVESTMENT PROPERTY</b>	<b>2014 R</b>	<b>2013 R</b>
	<b>Net Carrying amount at 1 July</b>	<b>145,291,764</b>	<b>218,290,999</b>
	Cost - Balance previously reported	145,291,764	204,491,260
	Correction of error - Note 40.02	-	13,799,739
	Disposals	(1,065,885)	(8,942,920)
	Fair Value Adjustments - Impairment	(13,851,629)	(86,571,939)
	Revaluation increase	28,138,564	22,515,624
	<b>Net Carrying amount at 30 June</b>	<b>158,512,813</b>	<b>145,291,764</b>
	Cost	158,512,813	145,291,764

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal. There are no investment properties pledged as security for liabilities.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Fair value of Land and Buildings was determined by a registered Valuator - Mr W.M. De Kock of W.M. de Kock Associates. The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.

Revenue derived from the rental of investment property	1,915,855	2,666,076
Operating expenditure incurred on all municipal properties	7,179,996	5,085,536

16	<b>INTANGIBLE ASSETS</b>		
	<b>Computer Software</b>		
	<b>Net Carrying amount at 1 July</b>	<b>1,892,950</b>	<b>2,126,200</b>
	Cost	3,197,698	3,119,145
	Accumulated Amortisation	(1,304,749)	(992,946)
	Additions	-	78,553
	Amortisation	(319,564)	(311,803)
	<b>Net Carrying amount at 30 June</b>	<b>1,573,385</b>	<b>1,892,950</b>
	Cost	3,197,698	3,197,698
	Accumulated Amortisation	(1,624,313)	(1,304,749)

The following material intangible assets are included in the carrying value above

<u>Description</u>	<u>Remaining Amortisation Period</u>	<b>Carrying Value 2014 R</b>	<b>2013 R</b>
Computer software	9 years	1,573,385	1,892,950

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

**17 HERITAGE ASSETS**

The municipality has four registered Heritage Assets, however, the principal usage of the assets is that of service delivery and is therefore recognised in Property, Plant and Equipment. The assets are as follows:

	<b>Recognised as :</b>	<b>Valuation</b>	<b>2014 R</b>	<b>2013 R</b>
Erf 614, Caledon - Utilised as the Town Hall	Property, Plant and Equipment		7,317,300	6,369,300
Erven 12 and 14 - Villiersdorp - Utilised as a Restaurant.	Investment Properties		3,037,000	1,386,000
Bridge at Meul Street, Caledon	Property, Plant and Equipment		3,527	3,527
Bridge at Farm 39, Genadendal	Property, Plant and Equipment		1,481	1,481

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There were no third party payments received for losses and impairments incurred.

**18 LONG-TERM RECEIVABLES**

	<b>2014 R</b>	<b>2013 R</b>
Officials' Housing Loans - At amortised cost	29,286	34,282
Sport Club and Other Loans - At amortised cost	-	-
Correction of error - Transfer from receivables from exchange transactions - Note 40.03	1,064,167	975,301
Correction of error - Transfer from receivables from non-exchange transactions - Note 40.03	2,024,285	4,119,951
	<b>3,117,738</b>	<b>5,129,534</b>
<b>Less:</b> Unamortised Discount on Loans	-	(4,524)
Balance 1 July	(4,524)	(5,735)
Adjustment for the period	4,524	1,211
<b>Less:</b> Current portion transferred to current receivables	(5,429)	(5,356)
Officials Housing Loans - At amortised cost	(5,429)	(5,356)
<b>Less:</b> Transfers to exchange and non-exchange receivables	(1,475,826)	(2,897,310)
Transfer to receivables from exchange transactions - restated 2013 - Note 40.03	(445,778)	(523,980)
Transfer to receivables from non-exchange transactions - restated 2013 - Note 40.03	(1,030,048)	(2,373,330)
<b>Less:</b> Allowance for doubtful debts	(1,612,626)	(2,197,942)
Allowance for doubtful debts on exchange transactions - restated 2013 - Note 40.03	(618,389)	(451,321)
Allowance for doubtful debts on non-exchange transactions - restated 2013 - Note 40.03	(994,237)	(1,746,621)
<b>Total Long Term Receivables</b>	<b>23,857</b>	<b>24,402</b>
<b>Reconciliation of Provision for Bad Debts</b>		
Balance at beginning of year	2,197,942	-
Contribution to provision	-	-
Transfer from long-term receivables - restated 2013 - Note 40.03	(585,315)	2,197,942
Bad Debts Written Off	-	-
<b>Balance at end of year</b>	<b>1,612,626</b>	<b>2,197,942</b>

**HOUSING LOANS**

Housing loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable. Staff were entitled to housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2020.

Balances of debtors with arrangements to pay off old debt for longer than 1 period are transferred from current receivables to long-term receivables. Due to the low level of payments and consistent with the accounting policy, all these debtors are impaired.

All remaining amounts are collectable.

**19 INVENTORY**

Maintenance Materials - At cost	1,884,068	1,580,467
Water – at cost	398,183	341,058
<b>Total Inventory</b>	<b>2,282,251</b>	<b>1,921,526</b>

A reconciliation of water losses is included in Note 45.4

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

20	<b>RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>	<b>2014 R</b>	<b>2013 R</b>
	Electricity	6,012,971	9,506,842
	Water	28,799,265	39,765,137
	Balance previously reported	-	38,864,981
	Correction of error - Water sales not previously recognised - Note 40.05	-	(209,123)
	Correction of error - Water sales not previously recognised 2011/2012 - Note 40.05		1,109,280
	Refuse	23,800,363	30,659,040
	Sewerage	19,531,844	26,446,989
	Balance previously reported	-	27,064,562
	Correction of 2011/2012 Industrial Effluent payment on levy - Note		(617,573)
	Other	5,466,781	5,918,460
	<b>Total Receivables from Exchange Transactions</b>	<b>82,992,835</b>	<b>111,845,148</b>
	Total Receivables from Exchange Transactions - Previously Reported	83,611,224	112,296,469
	Transfer to long-term receivables - restated 2013 - Note 40.05	(1,064,167)	(975,301)
	Transfer from long-term receivables transactions - restated 2013 - Note 40.05	445,778	523,980
	<b>Less: Allowance for Doubtful Debts</b>	<b>(70,715,230)</b>	<b>(96,426,134)</b>
	Allowance for Doubtful Debts - Previously Reported	-	(96,877,455)
	Transfer to long-term receivables - restated 2013 - Note 40.05	-	451,321
	<b>Total Net Receivables from Exchange Transactions</b>	<b>12,277,605</b>	<b>15,419,014</b>
<p>Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary in terms of IGRAP1.</p> <p>Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.</p>			
21	<b>RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
	Rates	27,222,394	22,111,576
	Other Receivables	4,389,343	5,479,532
	Accrued Fines	22,808,670	4,342,950
	Accrued Fines - Balance previously reported	-	1,825,044
	Correction of fines not previously recognised - Note 40.06	-	2,517,906
	<b>Total Receivables from Non-Exchange Transactions</b>	<b>53,426,170</b>	<b>30,187,437</b>
	Total Receivables from Non-Exchange Transactions - Previously Reported	54,420,407	31,934,058
	Transfer to long-term receivables - restated 2013 - Note 40.06	(2,024,285)	(4,119,951)
	Transfer from long-term receivables transactions - restated 2013 - Note 40.06	1,030,048	2,373,330
	<b>Less: Allowance for Doubtful Debts</b>	<b>(37,959,167)</b>	<b>(18,507,746)</b>
	Allowance for Doubtful Debts - Previously Reported	-	(20,254,367)
	Transfer to long-term receivables - restated 2013 - Note 40.06	-	1,746,621
	<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>15,467,002</b>	<b>11,679,691</b>
	<u><b>Ageing of receivables</b></u>		
	Current (0 - 30 days)	19,360,561	10,731,901
	1 to 3 months	15,001,215	10,072,299
	Longer than 3 months	102,057,227	121,228,385
	<b>Total</b>	<b>136,419,004</b>	<b>142,032,585</b>
	<b>Reconciliation of Provision for Bad Debts</b>		
	Balance at beginning of year	114,933,880	104,517,042
	Contribution to provision	47,239,932	24,139,487
	Transfer to longterm receivables - restated 2013 - Note 40.06	585,315	(2,197,942)
	Bad Debts Written Off	(54,084,731)	(11,524,708)
	<b>Balance at end of year</b>	<b>108,674,397</b>	<b>114,933,880</b>
	<b>Balances past due not impaired:</b>	<b>7,226,049</b>	<b>7,060,789</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

## 21 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

	2014 R	2013 R
<b>22 OPERATING LEASE ARRANGEMENTS</b>		
<b>22.1 The Municipality as Lessor (Asset)</b>		
<b>Balance on 1 July</b>	442,097	272,777
Movement during the year	47,155	169,320
<b>Balance on 30 June</b>	<b>489,252</b>	<b>442,097</b>

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	761,233	761,952
1 to 5 Years	1,716,858	2,345,856
More than 5 Years	1,694,541	1,826,775
<b>Total Operating Lease Arrangements</b>	<b>4,172,632</b>	<b>4,934,584</b>

Theewaterskloof Municipality is leasing a number of land and some buildings to different rate payers for periods ranging from 2 to 99 years, with escalations of between 1% and 12% per year.

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2094

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

## 23 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	26,967,406	20,739,868
Primary Bank Account	11,240,631	6,794,698
Cash Floats	10,350	10,350
<b>Total Cash and Cash Equivalents - Assets</b>	<b>38,218,387</b>	<b>27,544,916</b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding deposits and outstanding cheques at year-end are recognised as part of cash and cash equivalents.

The municipality has one guarantee of R15 000 in the name of the beneficiary, Eskom.

An amount of R 430 224 (2013: R 430 224), included in Call Investment Deposits above, is invested in an institution which is under curatorship. The curators are encashing property developments financed by the investment company before distribution of funds will continue, however it is expected significant capital losses will be incurred. The dates of any possible future cashflows are not known at the reporting date and the full amount has been impaired due to the uncertainty of collectability.

The municipality has the following bank accounts:

Current Accounts

Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):	11,240,631	6,794,698
	<b>11,240,631</b>	<b>6,794,698</b>

Traffic account is cleared daily to Primary Bank Account.

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

23	<b>CASH AND CASH EQUIVALENTS (CONTINUED)</b>	<b>2014 R</b>	<b>2013 R</b>
	<b><i>Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):</i></b>		
	Cash book balance at beginning of year	6,794,698	6,365,123
	Cash book balance at end of year	<u>11,240,631</u>	<u>6,794,698</u>
	Bank statement balance at beginning of year	6,622,653	6,016,898
	Bank statement balance at end of year	<u>10,787,694</u>	<u>6,622,653</u>
	The municipality has a standing overdraft limit of R2 500 000 at ABSA Bank.		
	<b><u>Call Investment Deposits</u></b>		
	Call investment deposits consist out of the following accounts:		
	Interneuron Capital Ltd CA 002 Notice deposit	430,224	430,224
	ABSA 9095225460 Notice deposit	24,676,960	18,598,079
	ABSA 90 8877 0478 Redemption Fund	2,100,009	1,999,925
	Sanlam Shares Investment	190,437	141,864
	Less: Provision for impairment	<u>(430,224)</u>	<u>(430,224)</u>
		<u>26,967,406</u>	<u>20,739,868</u>
24	<b>PROPERTY TAXES</b>		
	<b><u>Actual</u></b>		
	<b>Rateable Land and Buildings</b>	59,515,681	49,680,040
	Residential, Commercial Property, State	<u>59,515,681</u>	<u>49,680,040</u>
	Less: Rebates	<u>(842,679)</u>	<u>(2,073,423)</u>
	<b>Total Assessment Rates</b>	<u><b>58,673,002</b></u>	<u><b>47,606,616</b></u>
		<b>2014 R</b>	<b>2013 R</b>
	<b><u>Valuations - 1 JULY 2013</u></b>		
	<b>Rateable Land and Buildings</b>		
	Residential	4,504,919,300	3,869,478,500
	Business & Commercial	1,155,116,000	704,819,000
	Public benefit Organizations	119,162,500	227,207,500
	State-owned	350,921,500	132,607,000
	Agricultural	7,980,832,500	4,050,564,500
	Other	238,314,500	229,646,000
	<b>Total Assessment Rates</b>	<u><b>14,349,266,300</b></u>	<u><b>9,214,322,500</b></u>
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Rebates were granted on land with buildings used solely for dwellings purposes as follows:		
	Residential		
	- The first R15 000 on the valuation is exempted.		
	- A further R85 000 on the valuation are exempt from property rates for all those households earning less than R4 501. (This exemption is also applicable to persons older than 60 and earning between R4 501 and R6 001).		
	<b>Rates:</b>		
	Residential	0.650 c/R	0.68 c/R
	Commercial	1.450 c/R	1.36 c/R
	Agricultural	0.137 c/R	0.17 c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.



**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

		<b>2014</b>	<b>2013</b>
		<b>R</b>	<b>R</b>
<b>25</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>		
	<b>Unconditional Grants</b>	<b>57,262,000</b>	<b>53,343,000</b>
	Equitable Share	57,262,000	53,343,000
	<b>Conditional Grants</b>	<b>97,349,729</b>	<b>92,780,243</b>
	EPWP	1,770,530	1,159,737
	National Electrification Program	-	3,000,000
	Municipal Infrastructure Grant	24,800,570	28,092,338
	MSIG Funds	857,855	940,872
	Finance Management Grant	1,249,208	1,640,849
	Neighbourhood Development Program Grant	904	1,795,824
	Regional Bulk Infrastructure Grant	5,720,274	10,500,000
	Spatial Development Framework	30,469	-
	Botrivier Development Contribution	38,889	-
	Public Infrastructure Grant	-	1,500,000
	Development of Recreational Facilities	-	144,000
	CDW's	166,064	142,306
	Project Preparation	69,400	-
	Housing	52,357,867	37,308,218
	Finance Management Support Grant	600,000	-
	Multi Purpose Bus	62,102	-
	Thusong Multi Purpose Centre	2,500,000	-
	Main Roads Subsidy	74,000	108,000
	Library Subsidy	6,250,740	5,671,000
	Impound Facility	450,000	-
	DBSA GIS	943	-
	DBSA Local Economic Development	118,326	368,427
	SETA	231,587	408,673
	<b>Total Government Grants and Subsidies</b>	<b>154,611,729</b>	<b>146,123,243</b>
	The municipality does not expect any significant changes to the level of grants.		
	Revenue recognised per vote as required by Section 123 (c) of the MFMA		
	Equitable share	57,262,000	53,343,000
	Executive & Council	1,973,092	2,236,356
	Finance & Administration	89,040,321	84,252,460
	Planning & Development	118,326	368,427
	Community & Social Services	6,150,423	5,671,000
	Sport & Recreation	-	144,000
	Road Transport	67,566	108,000
		<b>154,611,729</b>	<b>146,123,243</b>
<b>25.01</b>	<b>Equitable share</b>		
	Opening balance	-	-
	Grants received	57,262,000	53,343,000
	Conditions met - Transferred to revenue	(57,262,000)	(53,343,000)
	Conditions still to be met	-	-
	The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
	All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services of R420.57 per month (2013: R382.56)		
<b>25.02</b>	<b>EPWP</b>		
	Opening balance	770,530	936,267
	Grants received	1,000,000	994,000
	Conditions met - Transferred to revenue	(1,770,530)	(1,159,737)
	Conditions still to be met	-	<b>770,530</b>
	To extend services to communities through a nationally co-ordinated approach.		

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

<b>25</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>	<b>2014 R</b>	<b>2013 R</b>
<b>25.03</b>	<b>National Electrification Program</b>		
	Grants received	-	3,000,000
	Conditions met - Transferred to revenue	-	(3,000,000)
	Conditions still to be met	-	-
		<u>-</u>	<u>-</u>
	To implement the Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure, in order to improve the quality of supply.		
<b>25.04</b>	<b>Municipal Infrastructure Grant</b>		
	Opening balance	109,138	2,027,476
	Grants received	24,849,000	26,174,000
	Conditions met - Transferred to revenue	(24,800,570)	(28,092,338)
	Conditions still to be met	<u>157,568</u>	<u>109,138</u>
	The grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.		
<b>25.05</b>	<b>MSIG Funds</b>		
	Opening balance	(140,872)	-
	Grants received	890,000	800,000
	Conditions met - Transferred to revenue	(857,855)	(940,872)
	Grant expenditure to be recovered	<u>(108,727)</u>	<u>(140,872)</u>
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
<b>25.06</b>	<b>Finance Management Grant</b>		
	Opening balance	(250,792)	(109,943)
	Grants received	1,500,000	1,500,000
	Conditions met - Transferred to revenue	(1,249,208)	(1,640,849)
	Grant expenditure to be recovered	<u>-</u>	<u>(250,792)</u>
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.		
<b>25.07</b>	<b>Neighbourhood Development Program Grant</b>		
	Opening balance	76,904	1,872,728
	Conditions met - Transferred to revenue	(904)	(1,795,824)
	Grant withheld	(76,000)	-
	Conditions still to be met	<u>-</u>	<u>76,904</u>
	The NDPG is being utilised for development of economic nodes within previously disadvantaged areas. The amount of R76 000 was withheld from the Equitable Share.		
<b>25.08</b>	<b>Regional Bulk Infrastructure Grant</b>		
	Opening balance	(1,761,363)	-
	Grants received	7,481,637	8,738,637
	Conditions met - Transferred to revenue	(5,720,274)	(10,500,000)
	Grant expenditure to be recovered	<u>-</u>	<u>(1,761,363)</u>
	The grant is utilised to construct sewerage bulk infrastructure in Grabouw.		

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

<b>25</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>	<b>2014 R</b>	<b>2013 R</b>
<b>25.09</b>	<b>Spatial Development Framework</b>		
	Opening balance	30,469	30,469
	Conditions met - Transferred to revenue	(30,469)	-
	Conditions still to be met	<u>-</u>	<u>30,469</u>
	The grant is utilised to develop and update a SDF for the municipality..		
<b>25.10</b>	<b>Botrivier Development Contribution</b>		
	Opening balance	38,889	38,889
	Conditions met - Transferred to revenue	(38,889)	-
	Conditions still to be met	<u>-</u>	<u>38,889</u>
	To obtain a policy for dealing with development applications and the payment of development contributions		
<b>25.11</b>	<b>CDW's</b>		
	Opening balance	144,840	98,146
	Grants received	131,200	189,000
	Conditions met - Transferred to revenue	(166,064)	(142,306)
	Conditions still to be met	<u>109,977</u>	<u>144,840</u>
	To provide financial assistance to municipalities to cover the operational costs pertaining to the functions of the community development workers including the regional coordinators.		
<b>25.12</b>	<b>Project Preparation</b>		
	Opening balance	69,400	69,400
	Conditions met - Transferred to revenue	(69,400)	-
	Conditions still to be met	<u>-</u>	<u>69,400</u>
	Development of project plans.		
<b>25.13</b>	<b>Housing</b>		
	Opening balance	(224,881)	1,484,615
	Grants received	46,377,991	35,598,721
	Conditions met - Transferred to revenue	(52,357,867)	(37,308,218)
	Grant expenditure to be recovered	<u>(6,204,757)</u>	<u>(224,881)</u>
	Provide housing to the indigents.		
<b>25.14</b>	<b>Financial Support Grant</b>		
	Opening balance	400,000	400,000
	Grants received	300,000	-
	Conditions met - Transferred to revenue	(600,000)	-
	Conditions still to be met	<u>100,000</u>	<u>400,000</u>
	The grant is intended to be utilised for the improvement of financial governance.		
<b>25.15</b>	<b>Multi Purpose Bus</b>		
	Opening balance	62,102	62,102
	Conditions met - Transferred to revenue	(62,102)	-
	Conditions still to be met	<u>-</u>	<u>62,102</u>
	The grant is intended to be utilised to purchase a bus.		
<b>25.16</b>	<b>Thusong Multi Purpose Centre</b>		
	Opening balance	2,500,000	-
	Grants received	-	2,500,000
	Conditions met - Transferred to revenue	(2,500,000)	-
	Conditions still to be met	<u>-</u>	<u>2,500,000</u>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

<b>25</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>	<b>2014 R</b>	<b>2013 R</b>
<b>25.17</b>	<b>Public Infrastructure Grant</b>		
	Grants received	-	1,500,000
	Conditions met - Transferred to revenue	-	(1,500,000)
	Conditions still to be met	-	-
	The grant was utilised to implement the Public Transport Infrastructure Mobility Strategy.		
<b>25.18</b>	<b>Development of Recreational Facilities</b>		
	Grants received	-	144,000
	Conditions met - Transferred to revenue	-	(144,000)
	Conditions still to be met	-	-
	The grant was utilised to develop recreational facilities in the municipal area.		
<b>25.19</b>	<b>Main Roads Subsidy</b>		
	Grants received	74,000	108,000
	Conditions met - Transferred to revenue	(74,000)	(108,000)
	Conditions still to be met	-	-
	The subsidy is utilised for the maintenance of the provincial main roads which runs through the town centres.		
<b>25.20</b>	<b>Library Subsidy</b>		
	Grants received	6,361,000	5,671,000
	Conditions met - Transferred to revenue	(6,250,740)	(5,671,000)
	Conditions still to be met	<b>110,260</b>	-
	The subsidy is utilised for the operational costs of libraries which is a provincial function.		
<b>25.21</b>	<b>Other Grant Providers</b>		
	Opening balance	464,762	366,973
	Grants received	681,587	874,889
	Conditions met - Transferred to revenue	(800,856)	(777,100)
	Conditions still to be met	<b>345,493</b>	<b>464,762</b>
	Various grants were received from other spheres of government (e.g. DBSA and SETA)		
<b>25.22</b>	<b>Total Grants</b>		
	Opening balance	2,289,126	7,277,123
	Grants received	146,908,415	141,135,247
	Conditions met - Transferred to revenue	(154,611,729)	(146,123,243)
	Grants withheld	(76,000)	
	Conditions still to be met/(Grant expenditure to be recovered)	<b>(5,490,187)</b>	<b>2,289,126</b>
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	823,297	4,667,034
	Unpaid Conditional Government Grants and Receipts	(6,313,484)	(2,377,909)
		<b>(5,490,187)</b>	<b>2,289,126</b>

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

		2014 R	2013 R
<b>26</b>	<b>PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
	<b>Conditional Grants</b>	<b>1,299,050</b>	<b>1,002,578</b>
	HAN - Students	930,666	837,350
	Industrial Development Corporation - Local Economic Development	368,384	165,228
	<b>Total Government Grants and Subsidies</b>	<b>1,299,050</b>	<b>1,002,578</b>
<b>26.01</b>	<b>HAN - Students</b>		
	Opening balance	227,349	167,235
	Grants received	925,329	897,464
	Conditions met - Transferred to revenue	(930,666)	(837,350)
	Conditions still to be met	<b>222,011</b>	<b>227,349</b>
	The grant gives students from abroad the opportunity to engage with community in upliftment of previously disadvantaged communities projects.		
<b>26.02</b>	<b>Industrial Development Corporation - Local Economic Development</b>		
	Opening balance	634,772	-
	Grants received	-	800,000
	Conditions met - Transferred to revenue	(368,384)	(165,228)
	Conditions still to be met	<b>266,388</b>	<b>634,772</b>
	The grant is for the promotion of local economic development and tourism.		
<b>26.03</b>	<b>Total Public Contributions and donations</b>		
	Opening balance	862,121	167,235
	Grants received	925,329	1,697,464
	Conditions met - Transferred to revenue	(1,299,050)	(1,002,578)
	Conditions still to be met/(Grant expenditure to be recovered)	<b>488,400</b>	<b>862,121</b>
<b>27</b>	<b>SERVICE CHARGES</b>		
	Electricity	64,593,922	60,368,740
	Water	37,086,939	34,904,479
	Refuse removal	20,722,658	18,459,864
	Sewerage and Sanitation Charges	19,983,180	18,025,288
	Other Service Charges	145,068	-
	<b>Total Service Charges</b>	<b>142,531,766</b>	<b>131,758,371</b>
<b>28</b>	<b>OTHER INCOME</b>		
	Plot Rental	36,448	69,271
	Building Plan fees	1,537,976	1,549,974
	Cemetery fees	476,821	439,931
	Valuation Certificates	221,314	181,499
	Vehicle Registration fees	523,611	360,268
	Sundry income	1,677,420	904,811
	<b>Total Other Income</b>	<b>4,473,590</b>	<b>3,505,755</b>
<b>29</b>	<b>FAIR VALUE ADJUSTMENTS</b>		
	Unamortised Discount - Interest	4,524	1,211
	Investment Property	28,138,564	22,515,624
		<b>28,143,088</b>	<b>22,516,835</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

30	<b>EMPLOYEE RELATED COSTS</b>	<b>2014 R</b>	<b>2013 R</b>
	Salaries	80,082,313	72,041,528
	Balance previously reported		72,041,528
	Reclassification with regards to GRAP 1 section 103 - restated 2013 - Note 40.07		2,017,514
	Overtime	2,990,667	2,143,598
	Standby Allowances	1,274,794	1,055,139
	Transport Allowance	5,062,642	4,745,827
	Housing Subsidy	510,780	540,313
	Other Allowance	993,843	453,595
	Bonus	6,686,810	5,483,785
	Group Insurance	1,456,593	1,485,411
	Medical Aid Contribution	3,772,411	3,355,215
	Pension Fund Contribution	13,182,611	11,968,813
	Unemployment Fund	734,656	669,709
	Leave Reserve Fund	1,328,584	(1,657,061)
	Workmens Compensation Contributions	873,150	210,089
	Contribution to provision - Long Service Awards	606,655	542,491
	Contribution to provision - Post Retirement Medical	1,948,763	2,105,785
	Post Retirement Finance Charges	3,062,275	2,563,087
	<b>Total Employee Related Costs</b>	<b>124,567,548</b>	<b>181,766,365</b>
	<b>KEY MANAGEMENT PERSONNEL</b>		
	Municipal Manager is appointed on a 7-year contract and the Director Technical Services on a 5 year contract. All other Directors are appointed on 10-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period. Acting allowances are immaterial.		
	<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
	<i>Remuneration of the Municipal Manager - HSD Wallace</i>		
	Annual Remuneration	1,101,962	1,078,086
	Car Allowance	125,641	125,641
	Contributions to UIF, Medical and Pension Funds	90,472	32,656
	Performance Bonuses	148,736	127,383
	<b>Total</b>	<b>1,466,811</b>	<b>1,363,766</b>
	<i>Remuneration of the Director Technical Services - C van Heerden</i>		
	Annual Remuneration	983,272	936,825
	Car Allowance	120,000	120,000
	Contributions to UIF, Medical and Pension Funds	23380.98	
	Performance Bonuses	95,351	89,086
	<b>Total</b>	<b>1,222,005</b>	<b>1,145,911</b>
	<i>Remuneration of the Director Corporate Services - J Isaacs</i>		
	Annual Remuneration	889,353	846,270
	Car Allowance	60,000	60,000
	Contributions to UIF, Medical and Pension Funds	177,300	149,738
	Performance Bonuses	105,946	79,188
	<b>Total</b>	<b>1,232,599</b>	<b>1,135,196</b>
	<i>Remuneration of the Director Development Services - MH Gxoyiya</i>		
	Annual Remuneration	797,464	935,872
	Car Allowance	120,000	120,000
	Contributions to UIF, Medical and Pension Funds	209,189	68,289
	Performance Bonuses	74,162	
	<b>Total</b>	<b>1,200,815</b>	<b>1,124,161</b>
	<i>Remuneration of the Director Financial Services - D Louw (Pro-rata from 1 September 2012)</i>		
	Annual Remuneration	738,309	580,019
	Car Allowance	108,000	90,000
	Contributions to UIF, Medical and Pension Funds	163,941	121,647
	Performance Bonusses	104,500	
	<b>Total</b>	<b>1,114,750</b>	<b>791,666</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**  
**EMPLOYEE RELATED COSTS (CONTINUE)**

	2014	2013
	R	R
<i>Remuneration of the Director Operational Services - J Barnard</i>		
Annual Remuneration	726,388	726,582
Car Allowance	62,428	62,428
Contributions to UIF, Medical and Pension Funds	223,716	159,946
Performance Bonuses	85,693	88,859
<b>Total</b>	<b>1,098,225</b>	<b>1,037,815</b>

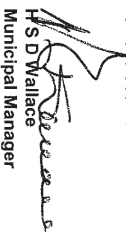
**31 REMUNERATION OF COUNCILLORS**

Mayor	719,382	665,116
Deputy Mayor	579,638	533,849
Speaker	579,638	535,973
Mayoral Committee Members	2,179,176	2,014,320
Councillors	4,145,297	3,660,756
<b>Total Councillors' Remuneration</b>	<b>8,203,131</b>	<b>7,410,014</b>

*In-kind Benefits*

The Executive Mayor, Deputy Executive Mayor, Speaker and three mayoral committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.

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 Office Bearer's Act and the Minister of Provincial and Local Government's determination, in accordance with this Act. Disclosure of the remuneration of individual Councillors are considered immaterial.

  
H S D Wallace  
Municipal Manager

**32 DEBT IMPAIRMENT**

Receivables from exchange and non-exchange transactions - Note 21	47,239,932	22,703,381
<b>Total Contribution to Debt Impairment</b>	<b>47,239,932</b>	<b>22,703,381</b>

**33 DEPRECIATION AND AMORTISATION**

Property Plant and Equipment	9,918,791	8,108,577
Capitalised restoration costs	45,223	45,970
Intangible Assets	319,564	311,803
	<b>10,283,579</b>	<b>8,466,350</b>

**34 IMPAIRMENTS**

Property Plant & Equipment (Non-cash generating)	8,678,050	3,269,241
Capitalised restoration costs (Cash generating assets)	2,359	3,677
Investment Property (Cash generating assets)	13,851,629	86,571,939
	<b>22,532,038</b>	<b>89,844,857</b>

The current economic climate with resultant declining property values is the main reason for impairment charges in the previous financial year.

**35 FINANCE CHARGES**

Long-term Liabilities	11,493,092	11,697,860
Non-current provisions	1,249,004	1,081,962
<b>Total finance charges</b>	<b>12,742,096</b>	<b>12,779,822</b>

**36 BULK PURCHASES**

Electricity	41,425,690	37,759,471
Water	8,617,455	7,574,900
<b>Total Bulk Purchases</b>	<b>50,043,145</b>	<b>45,334,371</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

<b>36</b>	<b>BULK PURCHASES</b>	<b>2014 R</b>	<b>2013 R</b>
	Electricity	41,425,690	37,759,471
	Water	8,617,455	7,574,900
	<b>Total Bulk Purchases</b>	<b>50,043,145</b>	<b>45,334,371</b>
		<b>2014 R</b>	<b>2013 R</b>
<b>37</b>	<b>GRANTS AND SUBSIDIES</b>		
	Indigent Subsidies : Escom payments	823,890	782,625
	<b>Total Grants and Subsidies</b>	<b>823,890</b>	<b>782,625</b>
<b>38</b>	<b>OPERATING GRANT EXPENDITURE</b>		
	Operating grant expenditure per vote		
	Executive & Council	-	2,380,831
	Finance & Administration	-	6,673,397
	Planning & Development	-	533,656
	Total Operating grant expenditure balance previously reported		9,587,884
	Reclassification with regards to GRAP 1 section 103 - restated 2013 - Note 40.07		(9,587,884)
	<b>Total Operating grant expenditure</b>	<b>-</b>	<b>-</b>
<b>39</b>	<b>GENERAL EXPENSES</b>		
	Audit Fees	2,340,193	1,835,490
	Bank Charges	407,529	317,938
	Clean and Green Project	454,592	355,109
	Computer charges	183,617	182,222
	Fuel Cost	4,620,132	4,044,153
	Insurance	819,629	995,427
	Legal advice	912,992	354,557
	Material and protective clothing	1,403,670	1,387,654
	Membership fees	1,164,975	971,286
	Operating Grant Expenditure	33,768,955	4,195,198
	Balance previously reported		-
	Reclassification with regards to GRAP 1 section 103 - restated 2013 - Note 40.07		4,195,198
	Postage	142,047	165,903
	Printing and stationery	730,852	591,469
	Quick Wins	530,192	806,993
	Electricity - Escom	5,776,070	5,158,109
	Refuse bags	462,828	513,942
	Sporting programs	-	144,000
	Skills development levy	1,013,081	919,171
	Telephone	1,774,307	2,342,527
	Training	1,082,761	821,300
	Travel and subsistence	418,622	542,556
	Ward Committee	302,195	195,282
	Water Purification	1,103,937	1,169,983
	Other	4,363,934	2,727,165
	Balance previously reported		2,727,165
	Reclassification with regards to GRAP 1 section 103 - restated 2013 - Note 40.07		1,285,148
	<b>General Expenses</b>	<b>63,777,110</b>	<b>30,737,434</b>

Operating Grant Expenditure include the Housing Grant which increase due to more top structures that was build within the finanancial year ending 30 June 2014 (R33 768 955) in relation the the amount at year end 30 June 2013 (R4 195 198).



THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

<b>40</b>	<b>CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3</b>	<b>2013</b>
	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>	<b>R</b>
<b>40.01</b>	<b>Property Plant and Equipment</b>	
	<b>Balance previously reported</b>	<b>554,230,172</b>
	Correction of allocation interms of Investment Property and Property Plant and Equipment. With specific reference to Erf 709 Caledon, Erf 404 Riviersonderend & Erf 1014 Grabouw previously allocated to IP and now corrected to PPE- Notes 40.02 and 13	7,178,000
	Change in Fair Vlaue in term of prior year with specific reference to Erf 709 Caledon- Notes 40.04 and 13	37,000
	Correction of allocation interms of Investment Property and Property Plant and Equipment. With specific reference to Erf 1-B Caledon & Erf 136-A Caledon previously allocated to PPE and now corrected to IP- Notes 40.02 and 13	(11,640,542)
	Correction of Property previously cluster in terms of the mother erven currently individually identified and incorporated into the register along with previously omitted erven - Notes 40.04 and 13	6,766,553
	<b>Total</b>	<b>556,571,183</b>
<b>40.02</b>	<b>Investment property</b>	
	<b>Balance previously reported</b>	<b>131,492,025</b>
	Correction of allocation interms of Investment Property and Property Plant and Equipment. With specific reference to Erf 709 Caledon, Erf 404 Riviersonderend & Erf 1014 Grabouw previously allocated to IP and now corrected to PPE- Notes 40.01 and 15	(7,178,000)
	Correction of allocation interms of Investment Property and Property Plant and Equipment. With specific reference to Erf 1-B Caledon & Erf 136-A Caledon previously allocated to PPE and now corrected to IP- Notes 40.01 and 15	11,640,542
	Change in Fair Vlaue in term of prior year with specific reference to Erf 1-B & Erf 136-A Caledon- Notes 40.04 and 15	684,236
	Correction Property previously cluster in terms of the mother erven currently individually identified and incorporated into the register along with previously omitted erven - Notes 40.04 and 15	8,652,961
	<b>Total</b>	<b>145,291,764</b>
<b>40.03</b>	<b>Long-term Receivables</b>	
	<b>Balance previously reported</b>	<b>24,402</b>
	Correction of error - Transfer from receivables from exchange transactions - Note 18 and 40.05	975,301
	Correction of error - Transfer from receivables from non-exchange transactions - Note 18 and 40.06	4,119,951
	Correction of error - Transfer to receivables from exchange transactions - Note 18	(523,980)
	Correction of error - Transfer to receivables from non-exchange transactions - Note 18	(2,373,330)
	Correction of error - Less: Allowance for doubtful debts on non-exchange transactions - Note 18 and 40.05	(451,321)
	Correction of error - Less: Allowance for doubtful debts on non-exchange transactions - Note 18 and 40.06	(1,746,621)
	<b>Total</b>	<b>24,402</b>
	The transfers between Long-term receivables and exchange and non-exchange receivables is to account for debtors that has debt agreements.	
<b>40.04</b>	<b>Accumulated Surplus</b>	
	<b>Balance previously reported</b>	<b>460,590,024</b>
	Correction of revaluation of the correction of allocation interms of Investment Property and Property Plant and Equipment- Notes 40.01 and 40.02	37,000
	Correction of revaluation of the correction of allocation interms of Investment Property and Property Plant and Equipment- Notes 40.01 and 40.02	684,236
	Correction of Property previously cluster in terms of the mother erven currently individually identified and incorporated into the register along with previously omitted erven - Notes 40.01 and 15	6,766,553
	Correction Property previously cluster in terms of the mother erven currently individually identified and incorporated into the register along with previously omitted erven - Notes 40.02 and 15	8,652,961
	Correction of 2011/2012 water revenue measured after year end - Note 20 and 40.05	1,109,280
	Correction of 2011/2012 Industrial Effluent payment on levy - Note 20 and 40.05	-617,573
	<b>Total</b>	<b>477,222,481</b>
<b>40.05</b>	<b>Receivables from exchange transactions</b>	
	<b>Balance previously reported</b>	<b>14,518,858</b>
	Correction of prior year water revenue measured after year end - Notes 20 and 40.07	(209,123)
	Correction of 2011/2012 water revenue measured after year end - Note 20 and 40.04	1,109,280
	Transfer to long term receivables - restated 2013 - Note 20 and 40.03	(975,301)
	Correction of error - Transfer from long-term receivables transactions - Note 20 and 40.03	523,980
	Transfer to long term receivables - restated 2013 - Note 20 and 40.03	451,321
	<b>Total</b>	<b>15,419,014</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

<b>40</b>	<b>CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 (CONTINUE)</b>	<b>2013</b>
		<b>R</b>
<b>40.06</b>	<b>Receivables from Non-exchange transactions</b>	
	<b>Balance previously reported</b>	<b>9,161,785</b>
	Correction of prior year fines not raised - Notes 21 and 40.07	2,517,906
	Transfer to long term receivables - restated 2013 - Note 21 and 40.03	(4,119,951)
	Correction of error - Transfer from long-term receivables transactions - Note 21 and 40.03	2,373,330
	Transfer to long term receivables - restated 2013 - Note 21 and 40.03	1,746,621
	<b>Total</b>	<b>11,679,691</b>
<b>40.07</b>	<b>STATEMENT OF FINANCIAL PERFORMANCE</b>	
	<b>Balance previously reported</b>	<b>12,221,045</b>
	Correction of prior year fines levied - Note 21 and 40.06	2,517,906
	Correction of prior year water revenue measured after year end - Notes 20 and 40.05	(209,123)
	Correction of rent on library building for prior year	(1,308,354)
	Correction of rent on library building for prior year	1,308,354
	Reclassification of Operating Grant Expenditure to Employee related cost - restated 2013 - Note 38	(2,017,514)
	Reclassification of Operating Grant Expenditure to Employee related cost - restated 2013 - Note 30	2,017,514
	Reclassification of Operating Grant Expenditure to Contracted services - restated 2013 - Note 38	(2,090,024)
	Reclassification of Operating Grant Expenditure to Contracted Services - restated 2013	2,090,024
	Reclassification of Operating Grant Expenditure to General Expenditure - restated 2013 - Note 38	(5,480,346)
	Reclassification of Operating Grant Expenditure to General Expenditure - restated 2013 - Note 39	5,480,346
	<b>Total</b>	<b>14,529,828</b>
<b>41</b>	<b>RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>	<b>2014</b>
		<b>R</b>
	Surplus/(Deficit) for the year	58,618,450
	<b>Adjustments for:</b>	<b>2013</b>
	Donations for Property, Plant and Equipment	-
	Depreciation	8,154,547
	Impairments	89,844,857
	Amortisation of Intangible Assets	311,803
	(Gain) / Loss on disposal of property, plant and equipment	1,300,370
	Grants received	142,832,711
	Grants withheld from Equitable Share	-
	Grants recognised as revenue	(147,125,821)
	Contribution from/to employee benefits- non current	5,211,363
	Contribution from/to employee benefits - non-current - expenditure incurred	(1,437,747)
	Contribution from/to employee benefits - non-current - actuarial losses / gains	(1,107,300)
	Contribution to employee benefits – current	3,667,891
	Contribution to employee benefits – current - expenditure incurred	(7,138,576)
	Fair Value Adjustments - Property, Plant and Equipment	(22,515,624)
	Contribution to provisions – bad debt	24,139,488
	Impairment written off	(11,524,708)
	Operating lease income accrued	(169,320)
	Changes in Non-current provisions - Unwinding of interest	1,081,962
	Operating Surplus/(Deficit) before changes in working capital	100,055,723
	Changes in working capital	(7,497,101)
	Increase/(Decrease) in Trade and Other Payables	16,223,997
	Increase/(Decrease) in Taxes	(1,911,675)
	(Increase)/Decrease in Inventory	335,157
	(Increase)/Decrease in Trade Receivables from exchange transactions	(15,360,171)
	(Increase)/Decrease in Other Receivables from non-exchange transactions	(6,784,409)
	<b>Cash generated/(absorbed) by operations</b>	<b>92,558,622</b>
<b>42</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>2014</b>
	Cash and cash equivalents included in the cash flow statement comprise the following:	<b>R</b>
	Call Investments Deposits - Note 23	20,739,868
	Cash Floats - Note 23	10,350
	Bank - Note 23	6,794,698
	<b>Total cash and cash equivalents</b>	<b>27,544,916</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

**43 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES**

Cash and Cash Equivalents - Note 42	38,218,387	27,544,916
	<u>38,218,387</u>	<u>27,544,916</u>
Less:	(10,372,504)	(13,943,289)
Unspent Committed Conditional Grants - Note 10	(823,297)	(4,667,034)
Unspent Public Contributions - Note 11	(488,399)	(862,120)
Sinking Fund for repayment of Stock Loans at redemption date- restated 2013	(8,876,912)	(8,414,134)
Less: Unspent loans	(183,896)	-
<b>Resources available for working capital requirements</b>	<b><u>27,845,882</u></b>	<b><u>13,601,627</u></b>
<b>Allocated to:</b>		
Capital Replacement Reserve	6,499,770	499,770
Social Contribution Reserve	55,278	55,278
<b>Resources available for working capital requirements</b>	<b><u>21,290,834</u></b>	<b><u>13,046,579</u></b>

**44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

	<b>2014 R</b>	<b>2013 R</b>
Long-term Liabilities - Note 3	117,064,522	112,766,723
Used to finance property, plant and equipment - at cost	<u>(116,880,626)</u>	<u>(112,766,723)</u>
	183,896	-
Cash set aside for the repayment of long-term liabilities	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b><u>183,896</u></b>	<b><u>-</u></b>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

**45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**45.1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure:		
Opening balance	97,110,750	75,618,967
Unauthorised expenditure current year - capital	4,579,586	8,028,531
Unauthorised expenditure current year - operating	17,324,435	89,082,219
Approved by council	<u>(97,110,750)</u>	<u>(75,618,967)</u>
Unauthorised expenditure awaiting authorisation	<b><u>21,904,021</u></b>	<b><u>97,110,750</u></b>

<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>
Over expenditure on votes	None

	<b>2014 R (Actual)</b>	<b>2014 R (Budget)</b>	<b>2014 R (Variance)</b>	<b>2014 R (Unauthorised)</b>
<b><u>Budget comparison by vote - Unauthorised expenditure current year - operating</u></b>				
Executive & Council	51,222,804	52,131,657	(908,853)	-
Finance & Administration	106,542,971	201,797,211	(95,254,240)	-
Planning & Development	11,142,995	12,346,047	(1,203,052)	-
Community & Social Services	5,648,726	6,186,694	(537,968)	-
Housing	3,904,994	4,463,940	(558,946)	-
Public Safety	31,777,219	15,509,071	16,268,148	16,268,148
Sport & Recreation	6,389,138	7,418,306	(1,029,168)	-
Environmental Protection	33,261	51,000	(17,739)	-
Waste Management	24,884,229	24,728,045	156,184	156,184
Waste Water Management	21,435,957	26,243,925	(4,807,968)	-
Road Transport	25,623,838	27,933,991	(2,310,153)	-
Water	38,859,800	37,959,697	900,103	900,103
Electricity	52,790,365	53,328,481	(538,116)	-
Other	377,720	1,276,688	(898,968)	-
	<b><u>380,634,018</u></b>	<b><u>471,374,753</u></b>	<b><u>(90,740,735)</u></b>	<b><u>17,324,435</u></b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

**45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONT.)**

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 R (Unauthorised)
<b><u>Budget comparison by vote - Unauthorised expenditure current year - capital</u></b>				
Executive & Council	3,989,351	4,821,541	(832,190)	-
Finance & Administration	705,340	927,550	(222,210)	-
Planning & Development	2,457,803	2,868,942	(411,139)	-
Community & Social Services	354,018	1,473,000	(1,118,982)	-
Housing	16,661,436	12,170,000	4,491,436	4,491,436
Public Safety	-	-	-	-
Sport & Recreation	3,309,420	3,313,330	(3,910)	-
Environmental Protection	-	-	-	-
Waste Management	-	-	-	-
Waste Water Management	18,606,653	23,618,108	(5,011,455)	-
Road Transport	5,191,749	5,103,599	88,150	88,150
Water	8,116,009	10,747,047	(2,631,038)	-
Electricity	3,445,307	4,937,120	(1,491,813)	-
	<b>62,837,087</b>	<b>69,980,237</b>	<b>(7,143,150)</b>	<b>4,579,586</b>

The main reasons for the unauthorised expenditure are the insufficient budget for non-cash transactions such as the additional provision for doubtful debts of traffic services. The processes in Sect 32 of the MFMA will determine the full reasons for the over-expenditure.

	2014 R	2013 R						
<b>45.2     <u>Fruitless and wasteful expenditure</u></b>								
Reconciliation of fruitless and wasteful expenditure:								
Opening balance	73,202	-						
Fruitless and wasteful expenditure prior year - restated		73,202						
Fruitless and wasteful expenditure current year	-	536,209						
Written off by council	-	(536,209)						
	<hr/>	<hr/>						
Fruitless and wasteful expenditure awaiting further action	73,202	73,202						
	<hr/>	<hr/>						
<table><tr><th>Incident</th><th>Disciplinary steps/criminal proceedings</th></tr><tr><td><i>Due to on-going litigation involving the Genadendal community, Cape Agulhas Civils has not been able to complete the Greyton/Genadendal Sewerlink project</i></td><td><i>None</i></td></tr><tr><td><i>2012/2013 Incorrect calculation of leave pay out</i></td><td><i>None</i></td></tr></table>	Incident	Disciplinary steps/criminal proceedings	<i>Due to on-going litigation involving the Genadendal community, Cape Agulhas Civils has not been able to complete the Greyton/Genadendal Sewerlink project</i>	<i>None</i>	<i>2012/2013 Incorrect calculation of leave pay out</i>	<i>None</i>		
Incident	Disciplinary steps/criminal proceedings							
<i>Due to on-going litigation involving the Genadendal community, Cape Agulhas Civils has not been able to complete the Greyton/Genadendal Sewerlink project</i>	<i>None</i>							
<i>2012/2013 Incorrect calculation of leave pay out</i>	<i>None</i>							
	-	536,209						
	-	73,202						
	-	609,410						

45.3 Irregular expenditure

Reconciliation of irregular expenditure:		
Opening balance	206,947	8,233,523
Irregular expenditure prior year	-	(756,498)
Irregular expenditure prior year		188,766
Irregular expenditure current year	244,660	18,181
Written off by council	(255,097)	(7,477,025)
	<b>196,510</b>	<b>206,947</b>
Irregular expenditure awaiting further action		
	<b>7,928,632</b>	<b>7,683,972</b>
Irregular expenditure awaiting condonememt from National Treasury		
	<b>7,928,632</b>	<b>7,683,972</b>

Incident	Disciplinary steps/criminal proceedings	
Award made to Contractor with outstanding rates and taxes - 2013/2014 - R163,751		None
Expenditure in contravention with section 116(1) of the MFMA - 2013/14 - R80 909		None

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONT.)

45.4	<b>Material Losses</b>	2014	2013
	<b>Water distribution losses</b>		
	- Kilolitres purified	4,802,938	4,464,315
	- Kilolitres lost during distribution	1,071,916	672,530
	- Percentage lost during distribution	22.32%	15.06%
	<b>Electricity distribution losses</b>		
	- Units purchased (Kwh)	60,899,240	58,631,246
	- Units lost during distribution (Kwh)	2,444,153	3,092,625
	- Percentage lost during distribution	4.01%	5.27%

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1	<b>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>	R	R
	Opening balance	-	-
	Council subscriptions	1,293,538	926,394
	Amount paid - current year	(1,293,538)	(926,394)
	Amount paid - previous years	-	-
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
46.2	<b>Audit fees - [MFMA 125 (1)(b)]</b>		
	Opening balance	-	-
	Current year audit fee	2,340,193	1,835,490
	External Audit - Auditor-General	2,340,193	1,835,490
	Amount paid - current year	(2,340,193)	(1,835,490)
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
46.3	<b>VAT - [MFMA 125 (1)(b)]</b>		
	Opening balance	(2,188,759)	(985,717)
	Amounts received - current year	4,528,050	4,108,504
	Amounts received - previous years	2,188,759	985,717
	Amounts claimed - current year	(910,929)	(6,014,712)
	Amounts paid	(3,316,877)	(255,415)
	Correction of error	-	(27,136)
	<b>Closing balance - Receivable</b>	<b>300,244</b>	<b>(2,188,759)</b>
	<b>VAT</b>	<b>(135,512)</b>	<b>3,303,947</b>
	Vat in suspense due to cash basis of accounting		
	Input VAT	8,035,148	15,024,628
	Output VAT	(8,170,659)	(11,720,681)
	<b>Receivable</b>	<b>(135,512)</b>	<b>3,303,947</b>
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors. All VAT returns have been submitted by the due date.		
46.4	<b>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	16,043,842	14,552,484
	Amount paid - current year	(16,043,842)	(14,552,484)
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
46.5	<b>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>		
	Opening balance	-	-
	Current year payroll deductions and Council Contributions	28,908,704	26,196,660
	Amount paid - current year	(28,908,704)	(26,196,660)
	<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

**46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONT.)**

**46.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]**

There were no Councillors who had arrear accounts for more than 90 days as at 30 June 2014.

**Deviations approved in terms of the Supply Chain Management Policy**

Deviations from Supply Chain Management Regulations were approved by the Accounting Officer on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Executive & Council	42,102	-	-	-
Corporate Services	231,998	37,837	627,192	-
Development Services	149,971	609,976	-	2,913,386
Financial Services	76,321	281,955	867,769	-
Technical Services	142,528	74,435	1,289,479	-
Operations	1,694,334	1,576,895	203,638	-
	<b>2,337,254</b>	<b>2,581,099</b>	<b>2,988,078</b>	<b>2,913,386</b>

The major deviations approved are as follows:

Incident	Amount R
<i>DFA Solutions - Renewal of Microsoft License Agreement</i>	361,594
<i>Elster Kent Metering - Supply and Delivery of Pre-paid Water Meters</i>	867,769
<i>EnviroServ Waste Management - Operation of the Caledon Landfill Site and Transport of Containerised Municipal Solid Waste</i>	250,000
<i>Itron Metering - Supply and Delivery of Electricity Pre-payment Meters</i>	640,680
<i>Conlog - Supply and Delivery of Electricity Pre-payment Meters</i>	398,799
<i>Slanpark / Siteview Roof Rectification Project</i>	2,913,386
<i>Procurement of Bitmen Products</i>	203,638
<i>Professional Services: "Collaborator System"</i>	265,597

<b>CAPITAL COMMITMENTS</b>	<b>2014 R</b>	<b>2013 R</b>
<b>Commitments in respect of capital expenditure:</b>		
Approved and contracted for:	40,517,153	38,684,248
Land & Buildings	-	636,042
Infrastructure	40,517,153	38,048,206
<b>Total</b>	<b>40,517,153</b>	<b>38,684,248</b>
 This expenditure will be financed from:		
External Loans	4,133,901	5,975,270
Government Grants	36,383,252	32,708,978
	<b>40,517,153</b>	<b>38,684,248</b>

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

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## FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2014 R	2013 R
1% (2013 - 0.5%) Increase in interest rates	(788,565)	(426,161)
0.5% (2013 - 0.5%) Decrease in interest rates	394,282	426,161

**(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 20 and 21 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 20 for balances included in receivables that were re-negotiated for the period under review.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2014 %	2014 R	2013 %	2013 R
<u>Non-Exchange Receivables</u>				
Rates	34.93%	37,959,167	16.10%	18,507,746
<u>Exchange Receivables</u>				
Services	65.07%	70,715,230	83.90%	96,426,134
	100.00%	108,674,397	100%	114,933,880

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014

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## FINANCIAL RISK MANAGEMENT (CONTINUED)

The municipality only deposits cash with organisations allowed in terms of the Cash Management Policy with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA and Nedbank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

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

	2014 R	2013 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	29,286	34,282
Receivables from exchange transactions	12,277,605	15,419,014
Receivables from non-exchange transactions	4,389,343	5,479,532
Cash and Cash Equivalents	38,218,387	27,544,916
	<u>54,914,620</u>	<u>48,477,743</u>

## (e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

1.15	0.92
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The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.



**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

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**FINANCIAL RISK MANAGEMENT (CONTINUED)**

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2014</b>				
Long Term liabilities - Annuity Loans	17,229,200	64,065,162	58,411,839	39,042,467
Capital repayments	6,909,402	30,344,464	32,555,137	30,168,044
Interest	10,319,798	33,720,698	25,856,702	8,874,423
Long Term liabilities - Stock Loans	1,597,949	6,397,496	9,820,484	17,116,486
Capital repayments	-	-	2,553,169	14,469,801
Interest	1,597,949	6,397,496	7,267,315	2,646,685
Long Term liabilities - Finance Lease Liability	93,066	-	-	-
Capital repayments	64,505	-	-	-
Interest	28,561	-	-	-
Provisions - Landfill Sites	-	30,363,445	-	-
Capital repayments	-	28,917,567	-	-
Interest	-	1,445,878	-	-
Trade and Other Payables	36,084,843	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>55,005,058</u>	<u>100,826,103</u>	<u>68,232,323</u>	<u>56,158,953</u>
	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Between 5 and 10 years</b>	<b>Over 10 Years</b>
<b>2013</b>				
Long Term liabilities - Annuity Loans	16,797,423	58,724,358	53,186,673	48,959,264
Capital repayments	6,936,832	26,006,930	26,310,010	36,383,404
Interest	9,860,591	32,717,428	26,876,663	12,575,860
Long Term liabilities - Stock Loans	1,598,272	6,004,346	9,779,171	19,148,898
Capital repayments	-	-	2,553,169	14,469,801
Interest	1,598,272	6,004,346	7,226,002	4,679,098
Long Term liabilities - Finance Lease Liability	139,599	93,066	-	-
Capital repayments	42,071	64,505	-	-
Interest	97,528	28,561	-	-
Provisions - Landfill Sites	1,249,004	29,114,441	-	-
Capital repayments	-	24,980,081	-	-
Interest	1,249,004	4,134,360	-	-
Trade and Other Payables	36,065,863	-	-	-
Cash and Cash Equivalents	-	-	-	-
	<u>55,850,161</u>	<u>93,936,211</u>	<u>62,965,844</u>	<u>68,108,162</u>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

<b>48</b>	<b>FINANCIAL INSTRUMENTS</b>		<b>2014 R</b>	<b>2013 R</b>
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:			
	The fair value of financial instruments approximates the amortised costs as reflected below.			
<b>48.1</b>	<b><u>Financial Assets</u></b>	<b><u>Classification</u></b>		
	<b>Long-term Receivables</b>			
	Officials Housing Loans	Financial instruments at amortised cost	23,857	28,926
	<b>Receivables</b>			
	Receivables from exchange transactions	Financial instruments at amortised cost	12,277,605	15,419,014
	Receivables from non-exchange transactions	Financial instruments at amortised cost	4,389,343	5,479,532
	<b>Current Portion of Long-term Receivables</b>			
	Officials Housing Loans	Financial instruments at amortised cost	5,429	5,356
	<b>Short-term Investment Deposits</b>			
	Call Deposits	Financial instruments at amortised cost	26,967,406	20,739,868
	<b>Bank Balances and Cash</b>			
	Bank Balances	Financial instruments at amortised cost	11,240,631	6,794,698
	Cash Floats and Advances	Financial instruments at amortised cost	10,350	10,350
			<b>55,944,669</b>	<b>50,851,074</b>
	<b>SUMMARY OF FINANCIAL ASSETS</b>			
	Financial instruments at amortised cost		55,944,669	50,851,074
	<b>At amortised cost</b>		<b>55,944,669</b>	<b>50,851,074</b>
<b>48.2</b>	<b><u>Financial Liability</u></b>	<b><u>Classification</u></b>		
	<b>Long-term Liabilities</b>			
	Annuity Loans	Financial instruments at amortised cost	93,067,644	88,700,566
	Capitalised Lease Liability	Financial instruments at amortised cost	-	64,505
	Stock Loans	Financial instruments at amortised cost	17,022,971	17,022,971
	<b>Provisions (Non-current and current)</b>			
	Landfill Sites (Balance previously reported)	Financial instruments at amortised cost		24,980,081
	Less: Correction of error - Provisions excluded from Financial Instruments - (GRAP 104.02.( c ))			(24,980,081)
	<b>Payables from exchange transactions</b>			
	Trade creditors	Financial instruments at amortised cost	19,156,861	23,478,357
	Interest portion of long term liabilities	Financial instruments at amortised cost	1,308,374	1,374,789
	Retentions	Financial instruments at amortised cost	14,789,954	10,270,477
	Sundry Deposits	Financial instruments at amortised cost	829,655	942,240
	<b>Current Portion of Long-term Liabilities</b>			
	Annuity Loans	Financial instruments at amortised cost	6,909,402	6,936,610
	Capitalised Lease Liability	Financial instruments at amortised cost	64,505	42,071
			<b>153,149,365</b>	<b>148,832,585</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>			
	Financial instruments at amortised cost		<b>153,149,365</b>	<b>148,832,585</b>
<b>49</b>	<b>EVENTS AFTER THE REPORTING DATE</b>			
	Damage was caused to a municipal building during a violent protest action from 15-17 September 2014 in Grabouw. The cost of the repair is estimated at R1,027,134 and an insurance claim has been submitted.			
<b>50</b>	<b>IN-KIND DONATIONS AND ASSISTANCE</b>			
	The DBSA provided technical assistance to the Local Economic Development Department.			
<b>51</b>	<b>PRIVATE PUBLIC PARTNERSHIPS</b>			
	Council has not entered into any private public partnerships during the financial year.			

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

		2014 R	2013 R
<b>52</b>	<b>CONTINGENT LIABILITIES</b>		
	The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.	Unknown	Unknown
	Mr FJ Coetzee is suing the municipality for alleged negligence in constructing a speed bump, causing flooding to the residence of Mr Coetzee. The municipality's insurance disputes the claim.		22,140
	Telkom is suing the municipality for damage to underground cables in Botriver and Villiersdorp due to alleged negligence during excavations. The municipality's insurance disputes the claim.		44,085
	The Municipality has lodged a dispute in respect of the tariff charged by Overberg Water regarding a capital levy. This dispute has been referred to national Treasury in terms of section 44 of the Municipal Finance Management Act.	301,128	

**53 RELATED PARTIES**

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

**Related Party Transactions**

	Rates - Levied 1 Jul 13 - 30 Jun 14	Service Charges - Levied 1 Jul 13 - 30 Jun 14	Other - Levied 1 Jul 13 - 30 Jun 14	Outstanding Balances 30 June 2014
<b>Year ended 30 JUNE 2014</b>				
<b>Councillors</b>	<b>30,623</b>	<b>60,006</b>	<b>-</b>	<b>-22</b>
Carelse G	2,142	6,914	-	-
Cupido A	829	4,758	-	-
De Wet N	7,449	-	-	0
De Wet N		4,477		(22)
De Wet P	712	5,249		-
Hector M	943	3,730		-
Hendricks J	4,572	4,494		-
Nellie J	166	4,544		-
Nellie J				
Papier KI	1,199	6,669		-
Punt C	4,007	6,255		-
Sipunzi U	90	3,791		-
Tshaka M		3,791		-
Vosloo C	8,515	5,334		-
<b>Senior Management</b>				
Barnard J	6,568	5,817		(1,887)

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

**53.1 Related Party Loans**

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

**53.2 Compensation of key management personnel**

The compensation of key management personnel is set out in note 30 to the Annual Financial Statements.

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2014**

54		2014 R	2013 R
	<b>Other transactions in terms of Section 45 of the Municipal Supply Chain Regulations.</b>		
	The following purchases were made where immediate family members are in the service of the State:		
	<i>Sailing Ships Trading - T/a J&amp;A Elektriese Werke - Electrical Services - Son in law of Deputy Director : Electrical</i>	357,188	458,813
	JDFD Transport Services - Transport services - Mother of Denver and Fredericks	1,590	850
	Damons : Technical Services		
	Coalition Trading 1317 cc - Construction Services - Spouse of Alison Tobias-Meintjies :		
	Assistant Superintendent Streets and Stormwater	214,010	186,379
	Ithuba Industries - Construction Material - Spouse of W. De Morney - Teacher	567,828	
	TWK TV & Video - ICT Services - Son of J Barnard - Director: Operations	13,124	
	Tano Vera - ICT Services - Domestic partner of Nino Hendricks: Manager ICT	31,894	22,663
	Villiersdorp Sekuriteit - Security and Monitoring Services - Spouse of C Vosloo: Speaker	38,623	26,200
	Umthi Omkhulu Trading - Construction services - Husband of Cashier M Thomas		168,305
	Finck Attorneys - Legal Services - Spouse of Gail Finck - Senior Clerk Clearances	2,547	
	Greyton repairs - Mechanical Services - Spouse of Gail Groenewald: Administrator		
	Debtors	42,961	21,744
	Rosant FV - Construction Services - Parent of C. Bloemfontein -		
	Temporary IT Technician		11,970
	Suidwes Biltong - Food supplier - Wife of F. du Toit - Deputy Director Electrical		990
	Groenland Security Services - Security and Monitoring - Spouse of M. Groenewald		
	Senior Administrator Official, PAWC Department of Environmental Affairs	82,026	331,912
	Jules Gardening Services - Gardening Services - Wife of M. Gillion -		
	Senior Building Inspector		11,411
	Petrol & Diesel Enjin Sentrum - Mechanical Services - Spouse of J. Pretorius		
	Chief Clerk Creditors	336,133	67,969
	Hendricks Construction - Construction Services - Cousin of A. Hendricks -		
	Head Supply Chain		67,650
	Marshall Armature Winding - Electrical Services - Spouse of M. Koeglenberg -		
	Councilor	72,352	26,337
	Mopstix Cleaning Services - Cleaning Services + Office Material - Spouse of Monroe van		
	Niekerk - Ambulance Medi	44,800	
	Adenco Construction - Construction Services - Parent of H.V. Machimana (Social		
	Worker), B. Skosana (Nurse) and Child of A. Kassner - Teacher	1,163,951	
	WAM Technology - Professional Services - Spouse of S.E.B. Botes - Teacher	397,994	
	Masanda Trading - Construction Services - Spouse of M. Thomas	327,372	
	ABSA Bank - Banking & Financial Services - Spouse of T. Manual - Parlement	4,847,393	
	Aurecon SA - Professional Services - Parent of R Mehlala (CFO: Eastern Cape Arts and		
	Culture Council) and Son of G Saaiman (Auditor General)	38,478	
		<b>8,580,264</b>	<b>1,403,193</b>

**APPENDIX A - Unaudited**  
**THEWATERSKLOOF MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2013	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2014
<b>LONG-TERM LOANS</b>							
<b>Stock Loans</b>							
DBSABANK - 20 years	9.29%	Loan No. 102275/4&5 Loan No. 101487/1	31/03/2027	10,022,971	-	-	10,022,971
DBSABANK - 20 year	9.46%	Electricity Loan No. 101487/4	31/12/2024	6,873,758	-	-	6,873,758
DBSABANK	9.77%	Admin/Corp/Refuse	31/12/2019	126,242	-	-	126,242
<b>Total Long-term Loans</b>				<b>17,022,971</b>	<b>-</b>	<b>-</b>	<b>17,022,971</b>
<b>ANNUITY LOANS</b>							
		Infrastructure					
DBSA BANK - 10 year	10.95%	Programs101178/1	30/06/2014	1,322,060	-	1,322,060	-
DBSA BANK - 10 & 20 year	10.74%	Loan No. 102807/1	30/06/2028	9,950,904	-	580,837	9,370,067
DBSA BANK 10 & 20 year	11.44%	Loan No. 103108/1 (Mun Buildings)	30/09/2028	9,336,151	-	281,054	9,055,098
ABSA BANK - 7 year	11.35%	11794	31/12/2014	81,771	-	52,997	28,775
ABSA BANK -7 year	11.35%	(Sewerage) 11792	31/12/2014	39,473	-	25,582	13,890
		(Electricity, Water, Sewerage)10858/1	31/12/2018	961,702	-	135,065	826,636
ABSA BANK - 11 year	11.14%	(Sewerage)10858/2	31/12/2018	92,404	-	12,978	79,427
DBSA BANK - 30 year	10.05%	(Sewerage) 13050	31/12/2013	29,058	-	29,058	-
DBSA BANK 15 year	15.30%	(Electricity) 13062	31/12/2008	3	-	3	-
ABSA BANK - 7 year	11.35%	(Sewerage) 13051	31/12/2014	19,572	-	12,685	6,887
ABSA BANK - 7 year	11.35%	(Sewerage) 13052	31/12/2014	16,363	-	10,605	5,758
DBSA BANK -10 year	16.50%	(Roads) 13298	31/12/2009	(21)	-	(21)	-
Sanlam 20 year	10.00%	40513100.00%	31/12/2010	240	-	240	-
		(Sewerage) 104013 (12704/101)	31/12/2015	185,303	-	68,091	117,212
ABSA BANK - 8 year	11.27%	(Water Service) 105021(12705/101)	31/12/2015	76,388	-	28,069	48,318
ABSA BANK - 8 year	11.27%	13343(16.50%)					
DBSA BANK - 20 year	16.50%	(Electricity) Electricity (15.75%)	31/12/2019	137,264	-	13,092	124,173
DBSA BANK - 20 year	15.75%	(13705/102)	30/06/2020	69,304	-	6,007	63,297
		Network - Elec.(15.00%) (11040/102)					
ABSA BANK - 6 year	11.44%	(11040/102)	31/12/2013	18,225	-	18,225	-
DBSA BANK - 20 year	9.85%	103313.1	31/03/2029	20,669,171	-	570,942	20,098,228
DBSA BANK - 15 year	9.97%	103313.2	31/03/2024	5,561,054	-	296,671	5,264,382
DBSA BANK - 10 year	10.00%	103313.3	31/03/2019	758,311	-	97,668	660,642
DBSA BANK - 7 year	9.95%	103313.4	31/03/2016	2,175,177	-	655,778	1,519,399
STANDARD BANK-7 year	11.67%	72480009	31/07/2017	731,999	-	132,030	599,970
STANDARD BANK-10 year	11.72%	72479981	31/07/2020	2,543,185	-	227,419	2,315,766
DBSA - 20 year	11.06%	103817/3	31/12/2030	10,826,082	-	221,158	10,604,924
STANDARD BANK-15 year	12.22%	272400572	30/06/2026	7,766,866	-	266,669	7,500,197
ABSA BANK - 7 year	10.45%	406885872	30/06/2018	2,348,776	-	379,302	1,969,473
ABSA BANK - 15 year	10.79%	40-7908-8994	27/06/2027	11,444,316	-	378,570	11,065,746
ABSA BANK - 7 year	9.42%	40-7908-9071	27/06/2019	7,504,627	-	981,704	6,522,923
ABSA BANK - 7 year	8.25%	8259-8788	27/06/2019	341,246	-	46,035	295,210
ABSA BANK - 7 year	8.25%	8259-9091	27/06/2019	87,901	-	11,858	76,043
ABSA BANK - 7 year	8.25%	8259-9741	27/06/2019	542,302	-	73,158	469,144
ABSA BANK - 7 year	10.09%	387230962	21/06/2021		3,000,000		3,000,000
ABSA BANK - 10 year	10.63%	387230963	27/06/2024		8,275,461		8,275,461
<b>Total Annuity Loans</b>				<b>95,637,176</b>	<b>11,275,461</b>	<b>6,935,591</b>	<b>99,977,046</b>
<b>LEASE LIABILITY</b>							
25 Dell E5520 Laptops				106,576	-	42,071	64,505
<b>Total Lease Liabilities</b>				<b>106,576</b>	<b>-</b>	<b>42,071</b>	<b>64,505</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>112,766,723</b>	<b>11,275,461</b>	<b>6,977,661</b>	<b>117,064,522</b>

**APPENDIX B - Unaudited**  
**THEEWATERSKLOOF MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**  
**MUNICIPAL SUB-VOTES CLASSIFICATION**

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
-	3,484,912	(3,484,912)	Admin Housing and Informal Settlements	-	3,904,994	(3,904,994)
1,157,389	8,441,323	(7,283,934)	Admin. : Technical Services	1,051,009	9,185,517	(8,134,508)
-	7,412,283	(7,412,283)	Admin: Operational Services	-	7,629,975	(7,629,975)
-	2,904,224	(2,904,224)	Admin: Planning and Development	-	3,600,511	(3,600,511)
1,563,501	143,881	1,419,621	Building Control	1,543,035	221,952	1,321,083
439,931	297,682	142,249	Cemeteries	476,821	368,524	108,297
-	334,453	(334,453)	Civil Protection & Fire Protection	-	664,263	(664,263)
4,577,057	7,748,404	(3,171,347)	Council's General Expenses	3,769,040	15,777,848	(12,008,808)
946,099	18,619,011	(17,672,911)	Directorate Corporate Services	820,651	18,629,464	(17,808,813)
65,153,363	48,429,444	16,723,919	Electricity Distribution	69,845,257	52,790,365	17,054,892
51,883,719	21,530,033	30,353,686	Financial Services	59,391,219	23,577,843	35,813,375
624,828	5,255,575	(4,630,747)	Human Resources	231,587	6,513,693	(6,282,106)
533,656	3,091,479	(2,557,823)	IDP / LED	486,710	2,945,248	(2,458,539)
-	3,673,235	(3,673,235)	Information Technology	-	4,117,175	(4,117,175)
-	1,142,304	(1,142,304)	Internal Audit	-	1,324,241	(1,324,241)
-	2,190,882	(2,190,882)	Law Enforcement	(49,300)	2,574,129	(2,623,429)
5,679,878	6,484,935	(805,057)	Library	5,636,298	5,280,202	356,096
-	371,330	(371,330)	Mechanical Workshop	-	377,720	(377,720)
837,350	3,721,405	(2,884,055)	Municipal Manager	930,666	4,147,487	(3,216,820)
-	760,608	(760,608)	Nature reserve	-	799,153	(799,153)
-	160,795	(160,795)	Other	-	234,099	(234,099)
(209,673)	5,026,045	(5,235,717)	Parks and Recreation	(335,432)	5,057,375	(5,392,807)
-	24,078	(24,078)	Pollution Control	-	33,261	(33,261)
108,000	133,045	(25,045)	Proclaimed Main Roads	67,566	68,815	(1,248)
17,780	1,657,225	(1,639,445)	Property Manangement	-	1,259,020	(1,259,020)
48,431,840	3,064,199	45,367,641	Property Rates	59,215,860	5,799,461	53,416,398
22,775,106	94,119,683	(71,344,577)	Property Services	29,075,154	27,049,757	2,025,398
(12,183)	20,640,696	(20,652,879)	Roads	77,272	22,251,656	(22,174,384)
19,758,314	13,729,435	6,028,879	Sewerage	21,241,981	15,565,752	5,676,229
-	3,416,170	(3,416,170)	Sewerage Purification	-	3,662,739	(3,662,739)
1,805,347	2,211,959	(406,613)	Sewerage Tanker Services	2,487,601	2,207,466	280,134
23,189,686	22,245,839	943,847	Solid Waste	25,516,927	24,884,229	632,699
164,645	671,052	(506,408)	Sports Grounds	20,942	532,063	(511,120)
77,310,825	4,195,198	73,115,627	Subsidies and Grants	82,743,229	34,013,314	48,729,915
(7,599)	1,938	(9,537)	Swimming pool & Camping Site	(17,513)	548	(18,061)
164,179	3,062,032	(2,897,854)	Town Planning	341,739	3,116,265	(2,774,526)
8,077,403	8,676,153	(598,751)	Traffic Services	30,071,064	28,304,728	1,766,336
4,807,819	3,391,296	1,416,523	Vehicle Licensing and Testing	5,195,638	3,303,367	1,892,271
37,199,502	32,073,715	5,125,788	Water Distribution	39,417,446	38,859,800	557,646
376,977,760	364,537,956	12,439,805	<b>Total</b>	439,252,468	380,634,018	58,618,450

**APPENDIX C - Unaudited**  
**THEEWATERSKLOOF MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

<b>2013 Actual Income R</b>	<b>2013 Actual Expenditure R</b>	<b>2013 Surplus/ (Deficit) R</b>		<b>2014 Actual Income R</b>	<b>2014 Actual Expenditure R</b>	<b>2014 Surplus/ (Deficit) R</b>
6,680,545	42,221,021	(35,540,475)	Executive & Council	5,640,700	51,222,804	(45,582,104)
201,863,668	136,701,632	65,162,036	Finance & Administration	231,587,715	106,542,971	125,044,744
2,279,116	10,858,841	(8,579,725)	Planning & Development	2,371,483	11,142,995	(8,771,512)
6,119,809	6,782,617	(662,809)	Community & Social Services	6,113,119	5,648,726	464,393
-	3,484,912	(3,484,912)	Housing	-	3,904,994	(3,904,994)
8,077,403	11,362,284	(3,284,882)	Public Safety	30,021,764	31,777,219	(1,755,455)
(52,627)	6,459,643	(6,512,270)	Sport & Recreation	(332,003)	6,389,138	(6,721,141)
-	24,078	(24,078)	Environmental Protection	-	33,261	(33,261)
23,189,686	22,245,839	943,847	Waste Management	25,516,927	24,884,229	632,699
21,563,660	19,357,564	2,206,096	Waste Water Management	23,729,582	21,435,957	2,293,625
4,903,636	24,165,037	(19,261,400)	Road Transport	5,340,477	25,623,838	(20,283,362)
37,199,502	32,073,715	5,125,788	Water	39,417,446	38,859,800	557,646
65,153,363	48,429,444	16,723,919	Electricity	69,845,257	52,790,365	17,054,892
-	371,330	(371,330)	Other	-	377,720	(377,720)
<b>376,977,760</b>	<b>364,537,956</b>	<b>12,439,805</b>	<b>Total</b>	<b>439,252,468</b>	<b>380,634,018</b>	<b>58,618,450</b>

**APPENDIX D - Unaudited**  
**THEEWATERSKLOOF MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 JUNE 2013	Grants Received	Expenditure during the year Transferred to Revenue	Withheld during the year	Balance 30 JUNE 2014
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>
<b><u>National Government Grants</u></b>					
Equitable Share	-	57,262,000	(57,262,000)	-	-
EPWP	770,530	1,000,000	(1,770,530)	-	-
Municipal Infrastructure Grant	109,138	24,849,000	(24,800,570)	-	157,568
MSIG Funds	(140,872)	890,000	(857,855)	-	(108,727)
Finance Management Grant	(250,792)	1,500,000	(1,249,208)	-	-
Neighbourhood Development Programme Grant	76,904	-	(904)	(76,000)	-
Regional Bulk Infrastructure Grant (RBIG)	(1,761,363)	7,481,637	(5,720,274)	-	(0)
<b>Total National Government Grants</b>	<b>(1,196,455)</b>	<b>92,982,637</b>	<b>(91,661,341)</b>	<b>(76,000)</b>	<b>48,841</b>
<b><u>Provincial Government Grants</u></b>					
Spatial Development Framework	30,469	-	(30,469)	-	-
Botrivier Development Contribution	38,889	-	(38,889)	-	-
CDW's	144,840	131,200	(166,064)	-	109,977
Project Preparation	69,400	-	(69,400)	-	-
Housing	(224,881)	46,377,991	(52,357,867)	-	(6,204,757)
Multi Purpose Bus	62,102	-	(62,102)	-	(0)
Thusong Multi Purpose Centre	2,500,000	-	(2,500,000)	-	-
Main Roads Subsidy	-	74,000	(74,000)	-	-
Library Subsidy	-	6,361,000	(6,250,740)	-	110,260
Financial Support Grant	400,000	300,000	(600,000)	-	100,000
Impound Facility	-	450,000	(450,000)	-	-
<b>Total Provincial Government Grants</b>	<b>3,020,819.41</b>	<b>53,694,191</b>	<b>(62,599,531)</b>	<b>-</b>	<b>(5,884,521)</b>
<b><u>Other Grant Providers</u></b>					
DBSA GIS	943	-	(943)	-	-
DBSA Local Economic Development	463,819	-	(118,326)	-	345,493
Public Contributions - HAN Students	227,349	925,329	(930,666)	-	222,011
Public Contributions - IDC - Local Economic Development	634,772	-	(368,384)	-	266,388
SETA	-	231,587	(231,587)	-	-
<b>Total Other Grant Providers</b>	<b>1,326,883</b>	<b>1,156,916</b>	<b>(1,649,907)</b>	<b>-</b>	<b>833,892</b>
<b>Total</b>	<b>3,151,247</b>	<b>147,833,744</b>	<b>(155,910,779)</b>	<b>(76,000)</b>	<b>(5,001,788)</b>



**APPENDIX E - Unaudited**  
**THEEWATERSKLOOF LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Revenue - Standard</b>								
<b>Governance and administration</b>	197,420	8,831	206,252	237,228	30,977	115.0%	120.2%	209,853
Executive and council	3,528	503	4,031	4,700	669	116.6%	133.2%	5,414
Budget and treasury office	189,277	3,041	192,317	201,350	9,033	104.7%	106.4%	177,626
Corporate services	4,616	5,288	9,903	31,178	21,275	314.8%	675.5%	26,812
<b>Community and public safety</b>	14,670	5,100	19,770	35,803	16,033	181.1%	244.1%	11,627
Community and social services	6,841	74	6,915	6,113	(802)	88.4%	89.4%	6,120
Sport and recreation	(278)	17	(261)	(332)	(71)	127.2%	119.4%	(53)
Public safety	8,107	5,009	13,116	30,022	16,906	228.9%	370.3%	5,559
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	7,812	116	7,928	7,712	(216)	97.3%	98.7%	7,183
Planning and development	2,922	(175)	2,747	2,371	(375)	86.3%	81.2%	2,279
Road transport	4,890	291	5,181	5,340	159	103.1%	109.2%	4,904
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	164,938	(1,046)	163,892	158,509	(5,383)	96.7%	96.1%	147,315
Electricity	70,857	3,476	74,334	69,845	(4,488)	94.0%	98.6%	65,153
Water	47,695	(7,358)	40,337	39,417	(919)	97.7%	82.6%	37,409
Waste water management	21,927	1,423	23,350	23,730	380	101.6%	108.2%	21,564
Waste management	24,459	1,413	25,872	25,517	(355)	98.6%	104.3%	23,190
<b>Other</b>	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	<b>384,840</b>	<b>13,001</b>	<b>397,842</b>	<b>439,252</b>	<b>41,411</b>	<b>110.4%</b>	<b>114.1%</b>	<b>375,977</b>
<b>Expenditure - Standard</b>								
<b>Governance and administration</b>	123,221	135,567	258,788	161,500	(97,289)	62.4%	131.1%	182,198
Executive and council	24,826	1,374	26,200	26,275	75	100.3%	105.8%	18,882
Budget and treasury office	45,388	26,050	71,437	30,659	(40,778)	42.9%	67.5%	29,932
Corporate services	53,008	108,144	161,152	104,566	(56,585)	64.9%	197.3%	133,384
<b>Community and public safety</b>	31,418	2,160	33,578	30,682	(2,896)	91.4%	97.7%	27,308
Community and social services	4,631	1,556	6,187	5,649	(538)	91.3%	122.0%	6,001
Sport and recreation	7,874	(446)	7,428	6,389	(1,039)	86.0%	81.1%	6,460
Public safety	14,660	839	15,499	14,739	(760)	95.1%	100.5%	11,362
Housing	4,253	211	4,464	3,905	(559)	87.5%	91.8%	3,485
Health	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	36,642	105	36,748	33,200	(3,548)	90.3%	90.6%	32,144
Planning and development	8,032	731	8,763	7,542	(1,220)	86.1%	93.9%	7,955
Road transport	28,560	(626)	27,934	25,624	(2,310)	91.7%	89.7%	24,165
Environmental protection	50	1	51	33	(18)	65.2%	66.3%	24
<b>Trading services</b>	137,310	4,950	142,260	155,009	12,749	109.0%	112.9%	122,107
Electricity	59,620	(6,292)	53,328	52,790	(538)	99.0%	88.5%	48,429
Water	34,675	3,285	37,960	38,860	900	102.4%	112.1%	32,074
Waste water management	22,892	3,352	26,244	21,436	(4,808)	81.7%	93.6%	19,358
Waste management	20,124	4,604	24,728	41,923	17,195	169.5%	208.3%	22,246
<b>Other</b>	-	-	-	-	-	-	-	-
<b>Total Expenditure - Standard</b>	<b>328,592</b>	<b>142,782</b>	<b>471,374</b>	<b>380,390</b>	<b>(90,985)</b>	<b>80.7%</b>	<b>115.8%</b>	<b>363,756</b>
<b>Surplus/(Deficit) for the year</b>	<b>56,248</b>	<b>(129,781)</b>	<b>(73,533)</b>	<b>58,863</b>	<b>132,395</b>	<b>-80.0%</b>	<b>104.6%</b>	<b>12,221</b>

**APPENDIX E - Unaudited**  
**THEEWATERSKLOOF LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Revenue by Vote</b>								
Vote 1 - Executive & Council	5,424	1,180	6,604	6,571	(32)	99.5%	121.2%	7,518
Vote 2 - Finance & Admin	109,477	10,391	119,868	147,914	28,045	123.4%	135.1%	125,024
Vote 3 - Planning & Development	2,922	(175)	2,747	2,371	(375)	86.3%	81.2%	2,279
Vote 4 - Community & Social Services	6,841	74	6,915	6,113	(802)	88.4%	89.4%	6,120
Vote 5 - Housing	-	-	-	-	-	-	-	-
Vote 6 - Public Safety	8,107	5,009	13,116	30,022	16,906	228.9%	370.3%	5,559
Vote 7 - Sport & Recreation	(278)	17	(261)	(332)	(71)	127.2%	119.4%	(53)
Vote 8 - Environmental Protection	-	-	-	-	-	-	-	-
Vote 9 - Waste Management	24,459	1,413	25,872	25,517	(355)	98.6%	104.3%	23,190
Vote 10 - Waste Water Management	21,927	1,423	23,350	23,730	380	101.6%	108.2%	21,564
Vote 11 - Roads Transport	4,890	291	5,181	5,340	159	103.1%	109.2%	4,904
Vote 12 - Water	47,695	(7,358)	40,337	39,417	(919)	97.7%	82.6%	37,409
Vote 13 - Electricity	70,857	3,476	74,334	69,845	(4,488)	94.0%	98.6%	65,153
Vote 14 - Other	82,519	(2,740)	79,779	82,743	2,964	103.7%	100.3%	77,311
<b>Total Revenue by Vote</b>	<b>384,840</b>	<b>13,001</b>	<b>397,842</b>	<b>439,252</b>	<b>41,411</b>	<b>110.4%</b>	<b>114.1%</b>	<b>375,977</b>
<b>Expenditure by Vote to be appropriated</b>								
Vote 1 - Executive & Council	54,869	964	55,833	55,370	(463)	99.2%	100.9%	45,942
Vote 2 - Finance & Admin	43,407	117,444	160,852	68,382	(92,469)	42.5%	157.5%	128,785
Vote 3 - Planning & Development	11,702	644	12,346	11,143	(1,203)	90.3%	95.2%	10,859
Vote 4 - Community & Social Services	4,631	1,556	6,187	5,649	(538)	91.3%	122.0%	6,001
Vote 5 - Housing	4,253	211	4,464	3,905	(559)	87.5%	91.8%	3,485
Vote 6 - Public Safety	14,660	839	15,499	31,777	16,278	205.0%	216.8%	11,362
Vote 7 - Sport & Recreation	7,874	(446)	7,428	6,389	(1,039)	86.0%	81.1%	6,460
Vote 8 - Environmental Protection	50	1	51	33	(18)	65.2%	66.3%	24
Vote 9 - Waste Management	20,124	4,604	24,728	24,884	156	100.6%	123.7%	22,246
Vote 10 - Waste Water Management	22,892	3,352	26,244	21,436	(4,808)	81.7%	93.6%	19,358
Vote 11 - Roads Transport	28,560	(626)	27,934	25,624	(2,310)	91.7%	89.7%	24,165
Vote 12 - Water	34,675	3,285	37,960	38,860	900	102.4%	112.1%	32,074
Vote 13 - Electricity	59,620	(6,292)	53,328	52,790	(538)	99.0%	88.5%	48,429
Vote 14 - Other	21,274	17,246	38,521	34,391	(4,130)	89.3%	161.7%	4,567
<b>Total Expenditure by Vote</b>	<b>328,592</b>	<b>142,782</b>	<b>471,374</b>	<b>380,634</b>	<b>(90,740)</b>	<b>80.7%</b>	<b>115.8%</b>	<b>363,756</b>
<b>Surplus/(Deficit) for the year</b>	<b>56,248</b>	<b>(129,781)</b>	<b>(73,533)</b>	<b>58,618</b>	<b>132,151</b>	<b>-79.7%</b>	<b>104.2%</b>	<b>12,221</b>

**APPENDIX E - Unaudited**  
**THEEWATERSKLOOF LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**REVENUE AND EXPENDITURE**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>Revenue By Source</b>								
Property rates	60,047	(599)	59,448	58,673	(775)	98.7%	97.7%	47,607
Property rates - penalties & collection charges	-	-	-	-	-	-	-	-
Service charges	145,559	56	145,615	142,532	(3,083)	97.9%	97.9%	131,758
Rental of facilities and equipment	1,420	21	1,441	1,936	495	134.4%	136.4%	1,409
Interest earned - external investments	2,200	-	2,200	2,904	704	132.0%	132.0%	2,407
Interest earned - outstanding debtors	4,000	4,000	8,000	9,267	1,267	115.8%	231.7%	7,617
Dividends received	-	-	-	-	-	-	-	-
Fines	8,019	5,013	13,032	29,835	16,803	228.9%	372.1%	7,984
Licences and permits	2,508	62	2,570	2,635	65	102.5%	105.1%	2,626
Agency services	2,100	100	2,200	2,189	(11)	99.5%	104.2%	1,957
Transfers recognised - operational	86,840	24,977	111,817	108,864	(2,953)	97.4%	125.4%	69,125
Other revenue	9,296	(761)	8,535	33,060	24,525	387.3%	355.6%	27,788
Gains on disposal of PPE	-	205	205	310	105	151.1%	#DIV/0!	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>321,989</b>	<b>33,073</b>	<b>355,062</b>	<b>392,206</b>	<b>37,143</b>	<b>1073.6%</b>	<b>121.8%</b>	<b>300,277</b>
<b>Expenditure By Type</b>								
Employee related costs	127,223	(267)	126,957	124,568	(2,389)	98.1%	97.9%	109,725
Remuneration of councillors	8,502	(148)	8,354	8,203	(150)	98.2%	96.5%	7,410
Debt impairment	13,029	11,926	24,956	47,240	22,284	189.3%	362.6%	22,703
Depreciation & asset impairment	19,941	108,614	128,555	32,816	(95,739)	25.5%	164.6%	98,311
Finance charges	13,731	(791)	12,940	12,478	(462)	96.4%	90.9%	12,780
Bulk purchases	49,824	(547)	49,277	50,043	766	101.6%	100.4%	45,334
Other materials	-	-	-	-	-	-	-	-
Contracted services	18,300	(488)	17,812	17,749	(63)	99.6%	97.0%	15,273
Transfers and grants	850	-	850	824	(26)	96.9%	96.9%	783
Other expenditure	77,192	20,268	97,461	86,372	(11,088)	88.6%	111.9%	50,129
Loss on disposal of PPE	-	4,214	4,214	341	(3,873)	8.1%	#DIV/0!	1,300
<b>Total Expenditure</b>	<b>328,592</b>	<b>142,782</b>	<b>471,374</b>	<b>380,634</b>	<b>(90,740)</b>	<b>330.1%</b>	<b>115.8%</b>	<b>363,748</b>
<b>Surplus/(Deficit)</b>	<b>(6,603)</b>	<b>(109,709)</b>	<b>(116,312)</b>	<b>11,572</b>	<b>127,884</b>	<b>-9.9%</b>	<b>-175.3%</b>	<b>(63,471)</b>
Transfers recognised - capital	62,851	(20,072)	42,779	47,047	4,267	110.0%	74.9%	78,001
Contributions recognised - capital	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>56,248</b>	<b>(129,781)</b>	<b>(73,533)</b>	<b>58,618</b>	<b>132,151</b>	<b>-79.7%</b>	<b>104.2%</b>	<b>14,530</b>

**APPENDIX E - Unaudited**  
**THEEWATERSKLOOF LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
<b>Capital expenditure - Vote</b>								
<b>Multi-year expenditure</b>								
Vote 1 - Executive & Council	-	-	-	-	-	-	-	1,752
Vote 2 - Finance & Admin	-	-	-	-	-	-	-	1,630
Vote 3 - Planning & Development	-	-	-	-	-	-	-	4,445
Vote 4 - Community & Social Services	-	-	-	-	-	-	-	-
Vote 5 - Housing	-	-	-	-	-	-	-	33,113
Vote 6 - Public Safety	-	-	-	-	-	-	-	-
Vote 7 - Sport & Recreation	3,270	-	3,270	3,270	(0)	100.0%	100.0%	695
Vote 8 - Environmental Protection	-	-	-	-	-	-	-	-
Vote 9 - Waste Management	-	-	-	-	-	-	-	347
Vote 10 - Waste Water Management	9,282	(286)	8,996	8,238	(758)	91.6%	88.8%	21,097
Vote 11 - Roads Transport	-	-	-	-	-	-	-	8,296
Vote 12 - Water	7,746	261	8,008	5,688	(2,320)	71.0%	73.4%	9,059
Vote 13 - Electricity	-	-	-	-	-	-	-	7,889
Vote 14 - Other	-	-	-	-	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure</b>	<b>20,298</b>	<b>(25)</b>	<b>20,273</b>	<b>17,195</b>	<b>(3,078)</b>	<b>84.8%</b>	<b>84.7%</b>	<b>88,323</b>
<b>Single-year expenditure</b>								
Vote 1 - Executive & Council	2,754	2,068	4,822	4,099	(723)	85.0%	148.9%	-
Vote 2 - Finance & Admin	928	-	928	705	(222)	76.0%	76.0%	-
Vote 3 - Planning & Development	183	2,686	2,869	2,458	(411)	85.7%	1343.8%	-
Vote 4 - Community & Social Services	1,100	373	1,473	354	(1,119)	24.0%	32.2%	-
Vote 5 - Housing	29,502	(17,332)	12,170	16,661	4,491	136.9%	56.5%	-
Vote 6 - Public Safety	-	-	-	-	-	-	-	-
Vote 7 - Sport & Recreation	-	44	44	40	(4)	91.1%	#DIV/0!	-
Vote 8 - Environmental Protection	-	-	-	-	-	-	-	-
Vote 9 - Waste Management	-	-	-	-	-	-	-	-
Vote 10 - Waste Water Management	14,252	370	14,622	10,368	(4,254)	70.9%	72.7%	-
Vote 11 - Roads Transport	4,399	705	5,104	5,192	88	101.7%	118.0%	-
Vote 12 - Water	-	2,739	2,739	2,428	(311)	88.6%	#DIV/0!	-
Vote 13 - Electricity	179	4,758	4,937	3,445	(1,492)	69.8%	1924.8%	-
Vote 14 - Other	-	-	-	-	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure</b>	<b>53,296</b>	<b>(3,589)</b>	<b>49,707</b>	<b>45,751</b>	<b>(3,956)</b>	<b>92%</b>	<b>86%</b>	<b>-</b>
<b>Total Capital Expenditure - Vote</b>	<b>73,594</b>	<b>(3,614)</b>	<b>69,980</b>	<b>62,947</b>	<b>(7,034)</b>	<b>90%</b>	<b>86%</b>	<b>88,323</b>
<b>Capital Expenditure - Standard</b>								
<b>Governance and administration</b>	<b>3,864</b>	<b>2,068</b>	<b>5,932</b>	<b>4,947</b>	<b>(985)</b>	<b>83.4%</b>	<b>128.0%</b>	<b>3,382</b>
Executive and council	2,153	-	2,153	1,645	(508)	76.4%	76.4%	901
Budget and treasury office	37	-	37	4	(33)	10.6%	10.6%	1,630
Corporate services	1,675	2,068	3,743	3,298	(444)	88.1%	196.9%	851
<b>Community and public safety</b>	<b>33,872</b>	<b>(16,915)</b>	<b>16,956</b>	<b>20,325</b>	<b>3,369</b>	<b>119.9%</b>	<b>60.0%</b>	<b>33,808</b>
Community and social services	1,100	373	1,473	354	(1,119)	24.0%	32.2%	-
Sport and recreation	3,270	44	3,313	3,309	(4)	99.9%	101.2%	695
Public safety	-	-	-	-	-	-	-	-
Housing	29,502	(17,332)	12,170	16,661	4,491	136.9%	56.5%	33,113
Health	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>	<b>4,399</b>	<b>3,391</b>	<b>7,790</b>	<b>7,507</b>	<b>(282)</b>	<b>96.4%</b>	<b>170.7%</b>	<b>12,741</b>
Planning and development	-	2,686	2,686	2,316	(371)	86.2%	#DIV/0!	4,445
Road transport	4,399	705	5,104	5,192	88	101.7%	118.0%	8,296
Environmental protection	-	-	-	-	-	-	-	-
<b>Trading services</b>	<b>31,460</b>	<b>7,842</b>	<b>39,302</b>	<b>30,168</b>	<b>(9,134)</b>	<b>76.8%</b>	<b>95.9%</b>	<b>38,392</b>
Electricity	179	4,758	4,937	3,445	(1,492)	69.8%	1924.8%	7,889
Water	7,746	3,001	10,747	8,116	(2,631)	75.5%	104.8%	9,059
Waste water management	23,535	83	23,618	18,607	(5,011)	78.8%	79.1%	21,097
Waste management	-	-	-	-	-	-	-	347
<b>Total Capital Expenditure - Standard</b>	<b>73,594</b>	<b>(3,614)</b>	<b>69,980</b>	<b>62,947</b>	<b>(7,034)</b>	<b>90%</b>	<b>86%</b>	<b>88,323</b>
<b>Funded by:</b>								
National Government	28,925	(1,445)	27,480	27,434	(46)	99.8%	94.8%	35,335
Provincial Government	29,502	(14,832)	14,670	19,307	4,637	131.6%	65.4%	33,038
District Municipality	-	62	62	62	0	100.0%	#DIV/0!	-
Other transfers and grants	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>58,427</b>	<b>(16,215)</b>	<b>42,212</b>	<b>46,802</b>	<b>4,590</b>	<b>111%</b>	<b>80%</b>	<b>68,373</b>
<b>Public contributions &amp; donations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Borrowing</b>	<b>7,075</b>	<b>6,964</b>	<b>14,040</b>	<b>8,509</b>	<b>(5,531)</b>	<b>60.6%</b>	<b>120.3%</b>	<b>5,455</b>
<b>Internally generated funds</b>	<b>8,093</b>	<b>5,636</b>	<b>13,729</b>	<b>7,635</b>	<b>(6,093)</b>	<b>55.6%</b>	<b>94.4%</b>	<b>14,495</b>
<b>Total Capital Funding</b>	<b>73,594</b>	<b>(3,614)</b>	<b>69,980</b>	<b>62,947</b>	<b>(7,034)</b>	<b>90%</b>	<b>86%</b>	<b>88,323</b>

**APPENDIX E - Unaudited**  
**THEEWATERSKLOOF LOCAL MUNICIPALITY**  
**NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**  
**CASH FLOWS**

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
<b>R thousand</b>								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>					-	-	-	
Ratepayers and other	215,920	(23,453)	192,467	197,827	5,360	102.8%	91.6%	162,862
Government - operating	86,840	18,488	105,328	68,675	(36,653)	65.2%	79.1%	63,449
Government - capital	62,851	(16,882)	45,969	79,159	33,190	172.2%	125.9%	79,384
Interest	6,200	4,000	10,200	12,171	1,971	119.3%	196.3%	10,024
Dividends	-	-	-	-	-	-	-	-
<b>Payments</b>					-	-	-	
Suppliers and employees	(281,041)	(19,423)	(300,465)	(277,732)	22,733	92.4%	98.8%	(209,598)
Finance charges	(13,731)	(791)	(14,522)	(12,478)	2,044	85.9%	90.9%	(12,780)
Transfers and Grants	-	(850)	(850)	(824)	26	96.9%	#DIV/0!	(783)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>77,039</b>	<b>(38,911)</b>	<b>38,128</b>	<b>66,799</b>	<b>28,671</b>	<b>175.2%</b>	<b>86.7%</b>	<b>92,559</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					-	-	-	
<b>Receipts</b>					57,342	-	-	
Proceeds on disposal of PPE	-	4,009	4,009	1,584				8,398
Decrease (increase) in non-current debtors	-	-	-	-				-
Decrease (increase) other non-current receivables	-	5	5	586	580	10937.0%	#DIV/0!	13
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
<b>Payments</b>					-	-	-	
Capital assets	(73,594)	3,614	(69,980)	(62,947)	7,034	89.9%	85.5%	(88,401)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(73,594)</b>	<b>7,628</b>	<b>(65,966)</b>	<b>(60,777)</b>	<b>5,189</b>	<b>92.1%</b>	<b>82.6%</b>	<b>(79,990)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					-	-	-	
<b>Receipts</b>					-	-	-	
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	7,075	-	7,075	11,275	4,200	159.4%	159.4%	23
Increase (decrease) in consumer deposits	250	(6)	244	354	110	144.9%	141.2%	61
<b>Payments</b>					17,113	-	-	
Repayment of borrowing	(8,000)	989	(7,011)	(6,978)	33	99.5%	87.2%	(6,521)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(674)</b>	<b>983</b>	<b>308</b>	<b>4,651</b>	<b>4,343</b>	<b>1508.4%</b>	<b>-689.9%</b>	<b>(6,437)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>2,770</b>	<b>(30,300)</b>	<b>(27,530)</b>	<b>10,673</b>	<b>38,203</b>	<b>-38.8%</b>	<b>385.3%</b>	<b>6,131</b>
Cash/cash equivalents at the year begin:	9,028	18,517	27,545	27,545	(0)	100.0%	305.1%	21,414
Cash/cash equivalents at the year end:	11,798	(11,783)	15	38,218	42,546	253915.5%	323.9%	27,545