



# MAKANA

MUNICIPALITY | EASTERN CAPE

**...a great place to be**

Makana Municipality  
Financial statements  
for the year ended 30 June 2014  
The Auditor General

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**General Information**

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**Mayoral committee**

Executive Mayor

Honourable Z Peter

Cllr P Ranchhod

Cllr N Gaga

Cllr P Notyawa

Cllr M Matyumza

Cllr N Masoma

Speaker R M Madinda-Isaac

Councillors

Cllr N J Ngoqa

Cllr N Meti

Cllr M C Booysen (DA)

Cllr L C May (ANC)

Cllr M S Tame

Cllr N Masoma (ANC)

Cllr B P N Jackson (DA)

Cllr K Jela (ANC)

Cllr V Kolisi (ANC)

Cllr B P Jackson (DA)

Cllr K Jela (ANC)

Cllr V Kolisi (ANC)

Cllr M Gojela (ANC)

Cllr F B William (DA)

Cllr M Madinda (ANC)

Cllr E Louw (ANC)

Cllr N Gaga (ANC)

Cllr P Ranchhod (ANC)

Cllr R M Madinda (ANC)

Cllr L Reynolds (DA)

Cllr M Matyumza (ANC)

Cllr NC Tyantsula (ANC)

Cllr P M Notyama (ANC)

Cllr J C Wells (ANC)

Cllr R Plaatjies (COPE)

Cllr Z Peter (ANC)

**Acting Chief Finance Officer (CFO)**

Ms J.B Khumalo

**Registered office**

City Hall  
86 High Street  
Grahamstown  
6139

**Postal address**

P O Box 176  
Grahamstown  
6140

**External Auditors**

The Auditor General  
P O Box 210917  
The Fig Tree  
Port Elizabeth  
8033

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**General Information**

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**Makana Municipality**  
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## **Index**

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

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### **Abbreviations**

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

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data. The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2016 and, in the light of this review and the current financial position, he is not satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the Makana Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors.

The financial statements which have been prepared on the going concern basis, were signed on municipality's behalf by:



**Acting Municipal Manager**

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## 's Report

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The accounting officer submits his report for the year ended 30 June 2014.

### 1. Review of activities

#### Main business and operations

##### Proportion of income and loss attributable to various classes of business:

#### 2014

Classes of business	Proportion of contribution to income before tax	Other informative information	Other informative information	Other informative information
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#### 2013

Classes of business	Proportion of contribution to income before tax	Other informative information	Other informative information	Other informative information
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**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Statement of Financial Position as at 30 June 2014**

	Note(s)	2014 R	2013 R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	7 864 464	8 706 001
Consumer debtors	5	128 393 173	128 468 250
Receivables from exchange transactions	4	-	9 648 810
Receivables from non-exchange transactions	6	29 192 104	27 117 513
VAT receivable	7	93 303	1 658 397
Cash and cash equivalents	8	1 594 932	9 832 693
Operating lease asset		16 966	16 966
		<b>167 154 942</b>	<b>185 448 630</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	809 686 415	1 245 158 469
Intangible assets	10	948 306	447 916
Investment property	12	201 302 330	226 882 151
Heritage assets	11	28 931 049	25 769 649
Investment	13	601 391	485 442
		<b>1 041 469 491</b>	<b>1 498 743 627</b>
<b>Total Assets</b>		<b>1 208 624 433</b>	<b>1 684 192 257</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Consumer deposits	14	2 297 709	2 206 448
Provisions	15	3 365 434	2 772 088
Other financial liabilities	20	3 888 220	1 726 789
Payables from exchange transactions	16	29 025 700	28 643 751
Payables from exchange transactions (non-exchange)	17	44 829 736	73 324 937
Unspent conditional grants and receipts	18	55 185 420	45 126 358
VAT payable	19	14 168 736	-
Bank overdraft	8	15 466 633	-
		<b>168 227 588</b>	<b>153 800 371</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	20	50 116 917	21 912 987
Employee benefit obligation	21	35 168 219	44 076 386
Provisions	15	4 544 799	4 367 397
		<b>89 829 935</b>	<b>70 356 770</b>
<b>Total Liabilities</b>		<b>258 057 523</b>	<b>224 157 141</b>
<b>Net Assets</b>		<b>950 566 910</b>	<b>1 460 035 116</b>
<b>Net Assets</b>			
Reserves			
Statutory funds		5 427 536	5 408 556
Accumulated surplus		945 139 379	1 454 626 539
<b>Total Net Assets</b>		<b>950 566 915</b>	<b>1 460 035 095</b>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Statement of Financial Performance**

	Note(s)	2014 R	2013 R
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	25	161 564 120	166 252 776
Rental of facilities and equipment	36	789 348	1 058 789
Interest received (trading)		10 835 646	9 710 615
Income from agency services		877 055	1 006 407
Licences and permits		2 596 574	2 410 545
Other income	27	2 062 883	1 716 769
Interest received - investment	31	385 120	1 325 220
<b>Total revenue from exchange transactions</b>		<b>179 110 746</b>	<b>183 481 121</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	46 135 174	38 084 464
<b>Transfer revenue</b>			
Government grants & subsidies	26	94 429 938	133 752 144
Fines		655 711	995 662
<b>Total revenue from non-exchange transactions</b>		<b>141 220 823</b>	<b>172 832 270</b>
<b>Total revenue</b>	23	<b>320 331 569</b>	<b>356 313 391</b>
<b>Expenditure</b>			
Personnel	29	(124 835 865)	(113 293 993)
Remuneration of councillors	30	(8 336 735)	(7 782 497)
Depreciation and amortisation	32	(36 729 303)	(46 624 609)
Impairment loss/ Reversal of impairments	33	(22 509 630)	(23 521 562)
Finance costs	34	(6 337 044)	(214 867)
Repairs and maintenance		(12 735 113)	(18 721 399)
Bulk purchases	39	(67 096 416)	(69 228 826)
Contracted services	37	(6 469 478)	(4 331 710)
Grants and subsidies paid	38	(22 093 276)	(17 187 417)
General Expenses	28	(44 135 620)	(47 001 315)
<b>Total expenditure</b>		<b>(351 278 480)</b>	<b>(347 908 195)</b>
<b>Operating (deficit) surplus</b>		<b>(30 946 911)</b>	<b>8 405 196</b>
Loss on disposal of assets and liabilities		-	(148 328)
Fair value adjustments		5 245 900	-
		<b>5 245 900</b>	<b>(148 328)</b>
<b>(Deficit) surplus for the year</b>		<b>(25 701 011)</b>	<b>8 256 868</b>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Statement of Changes in Net Assets**

	Housing Development Fund R	Accumulated surplus R	Total net assets R
<b>Balance at 01 July 2012</b>	-	<b>1 446 369 671</b>	<b>1 446 369 671</b>
Changes in net assets			
Surplus for the year	-	8 256 868	8 256 868
Contribution to housing	5 408 556	-	5 408 556
Total changes	5 408 556	8 256 868	13 665 424
<b>Balance at 01 July 2013</b>	<b>5 408 556</b>	<b>970 840 390</b>	<b>976 248 946</b>
Changes in net assets			
Surplus for the year	-	(25 701 011)	(25 701 011)
Contribution to housing	18 980	-	18 980
Total changes	18 980	(25 701 011)	(25 682 031)
<b>Balance at 30 June 2014</b>	<b>5 427 536</b>	<b>945 139 379</b>	<b>950 566 915</b>

Note(s)

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Cash Flow Statement

	Note(s)	2014 R	2013 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		38 084 646	34 703 154
Services charge		166 252 775	122 475 825
Grants		133 752 144	128 119 264
Interest income		385 120	1 325 220
Other receipts		17 838 897	13 979 937
		<u>356 313 582</u>	<u>300 603 400</u>
<b>Payments</b>			
Employee costs		(112 363 780)	(115 858 002)
Suppliers		(97 154 254)	(77 705 231)
Finance costs		(6 337 044)	(214 867)
Other payments		(142 086 630)	(71 211 657)
Remuneration of Councillors		(8 049 173)	(7 782 498)
		<u>(365 990 881)</u>	<u>(272 772 255)</u>
<b>Net cash flows from operating activities</b>	40	<u><b>(9 677 299)</b></u>	<u><b>27 831 145</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(50 208 070)	(91 218 270)
Proceeds from sale of property, plant and equipment	9	-	130 850
Purchase of investment property	12	-	(153 673)
Purchase of other intangible assets	10	(631 054)	(145 707)
Purchases of heritage assets	11	(3 161 400)	(2 668 775)
Proceeds from sale of financial assets		(115 949)	554 372
<b>Net cash flows from investing activities</b>		<u><b>(54 116 473)</b></u>	<u><b>(93 501 203)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from other financial liabilities		-	23 407 122
Repayment of other financial liabilities		30 365 361	(901 659)
<b>Net cash flows from financing activities</b>		<u><b>30 365 361</b></u>	<u><b>22 505 463</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(33 428 411)</b></u>	<u><b>(43 164 595)</b></u>
Cash and cash equivalents at the beginning of the year		9 832 693	52 997 288
<b>Cash and cash equivalents at the end of the year</b>	8	<u><b>(23 595 718)</b></u>	<u><b>9 832 693</b></u>

# Makana Municipality

Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
R	R	R	R	R	R	R	R	R	R	R

2014

# Makana Municipality

Financial Statements for the year ended 30 June 2014

## Appropriation Statement

	Original budget		Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)		Final adjustments (i.t.o. s31 of the MFMA)		Shifting of funds (i.t.o. s31 of the MFMA)		Virement (i.t.o. council approved policy)		Final budget		Actual outcome		Unauthorised expenditure		Variance		Actual outcome as % of final budget		Actual outcome as % of original budget	
	R		R		R		R		R		R		R		R		R		R			
Financial Performance																						
Property rates	56 970 000		(13 421 000)		43 549 000		-		-		43 549 000		46 135 174				2 586 174		106 %		81 %	
Service charges	181 272 150		-		181 272 150		-		-		181 272 150		161 564 120				(19 708 030)		89 %		89 %	
Investment revenue	5 000 000		-		5 000 000		-		-		5 000 000		385 120				(4 614 880)		8 %		8 %	
Transfers recognised - operational	67 916 880		8 487 426		76 404 306		-		-		76 404 306		61 794 398				(14 609 908)		81 %		91 %	
Other own revenue	52 741 970		-		52 741 970		-		-		52 741 970		23 063 117				(29 678 853)		44 %		44 %	
Total revenue (excluding capital transfers and contributions)	363 901 000		(4 933 574)		358 967 426		-		-		358 967 426		292 941 929				(66 025 497)		82 %		81 %	
Employee costs	(117 675 898)		(1 578 510)		(119 254 408)		-		-		(119 254 408)		(124 835 865)				(5 581 457)		105 %		106 %	
Remuneration of councillors	(8 353 881)		-		(8 353 881)		-		-		(8 353 881)		(8 336 735)				17 146		100 %		100 %	
Depreciation and asset impairment	(7 304 365)		-		(7 304 365)		-		-		(7 304 365)		(59 238 933)				(51 934 568)		811 %		811 %	
Finance charges	-		-		-		-		-		-		(6 337 044)				(6 337 044)		DIV/0 %		DIV/0 %	
Materials and bulk purchases	(73 745 078)		-		(73 745 078)		-		-		(73 745 078)		(67 096 416)				6 648 662		91 %		91 %	
Transfers and grants	(24 635 934)		-		(24 635 934)		-		-		(24 635 934)		(22 093 276)				2 542 658		90 %		90 %	
Other expenditure	(119 839 157)		1 578 510		(118 260 647)		-		-		(118 260 647)		(63 340 211)				54 920 436		54 %		53 %	
Total expenditure	(351 554 313)		-		(351 554 313)		-		-		(351 554 313)		(351 278 480)				275 833		100 %		100 %	
Surplus/(Deficit)	12 346 687		(4 933 574)		7 413 113		-		-		7 413 113		(58 336 551)				(65 749 664)		(787)%		(472)%	

# Makana Municipality

Financial Statements for the year ended 30 June 2014

## Appropriation Statement

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
	R	R	R	R	R	R	R	R	R	R	R
Transfers recognised - capital	8 487 426	(8 487 426)	-	-	-	-	32 635 540		32 635 540	DIV/0 %	385 %
Surplus (Deficit) after capital transfers and contributions	20 834 113	(13 421 000)	7 413 113	-	-	7 413 113	(25 701 011)		(33 114 124)	(347)%	(123)%
Surplus/(Deficit) for the year	20 834 113	(13 421 000)	7 413 113	-	-	7 413 113	(25 701 011)		(33 114 124)	(347)%	(123)%

## Accounting Policies

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### 1. Presentation of Financial Statements

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

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Accounting for Investments in Associates
GRAP 8	Financial Reporting of Interest in Joint Ventures
GRAP 9	Revenue
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 20	Related Party Disclosure (Approved, Not yet effective)
GRAP 21	Impairment of Non-Cash Generating Assets
GRAP 23	Revenue from non-exchange transactions
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits (Approved, early adoption)
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 31	Intangible Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

GRAP 6, 7, and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised in 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

These accounting policies and the applicable disclosures have been based on the International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

IPSAS 20	Related Party Disclosures
IFRS 4 (AC 141)	Insurance contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral
IAS 12 (AC 102)	Income tax
SIC – 25 (AC 425)	Income taxes – changes in the tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures
IFRIC 12 (AC 445)	Service Concession Arrangements

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted 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. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

**Accounting Policies**

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## **Accounting Policies**

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### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality and all amounts are rounded to the nearest rand.

### **1.2 Going concern assumption**

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

### **1.3 Comparative information**

When the presentation or classification of items in the annual 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. Additional text

### **1.4 Standards, Amendments to standards and Interpretations issued but not yet effective**

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

GRAP 18	Segment Reporting
GRAP 20	Related Party Disclosures
GRAP 105	Transfers of Functions Between Entities under Common Control
GRAP 106	Transfers of Functions Between Entities Not under Common Control
GRAP 107	Mergers

### **1.5 Presentation of Budget Information**

The presentation of budget information is prepared in accordance with the GRAP standards. The annual financial statements and the budget are on the same basis of accounting, therefore a comparison between the budgeted and actual amounts for the reporting period are included in the annual financial statements.

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

Explanations for material differences between the final budget amounts and actual amounts are included in the annual financial statements.

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

## **Accounting Policies**

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### **1.6 Housing Development Fund**

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998 and which requires that the Municipality maintains a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, inter alia, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed and available funds are invested in accordance with the Municipality's investment policy,
- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Housing,
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets,
- Any interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance,
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund if funds are available and not already committed to approved existing Housing projects

## **Accounting Policies**

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### **1.7 Employee benefits**

#### **(a) Pension obligations**

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Group has a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### **(b) Post Retirement Medical obligations**

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the municipality, and to their registered dependants. 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 expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

#### **(c) 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 offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against 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 charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

#### **(d) Ex gratia Gratuities**

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are offset against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

## **Accounting Policies**

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Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(e) **Accrued Leave pay**

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 is calculated as per collective bargaining council agreement.

(f) **Accrued Annual and Performance bonuses**

Liabilities for annual and performance bonuses are recognised as they accrue to employees. Annual bonuses accrue to employees on an annual basis, based on the employee contract. Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. These accruals are an estimate of the amount due to staff as at the financial year end.

(g) **Other short-term employee benefits**

The cost of short-term employee benefits is recognised in the period in which the service is rendered. Liabilities are recognised as they accrue to employees. Additional text

### **1.8 Provisions**

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Performance.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

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.

### **1.9 Leases**

#### **Municipality as a lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity.

Amounts held under finance leases are initially recognised as assets of the Municipality at the lower of their fair value at the inception of the lease or the present value of the future minimum lease payments.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating leases are those leases that do not fall within the scope of the definition of a finance lease. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

#### **1.9.2 Municipality as a lessor**

## **Accounting Policies**

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Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

### **1.10 Long term liabilities (Borrowings)**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

### **1.11 Payables from exchange transactions**

Payables from exchange transactions are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

## **Accounting Policies**

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### **1.12 Unspent Conditional Grants and Receipts**

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability. They represent unspent government grants, subsidies and contributions from the public. This liability always has to be backed by cash.

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

- The cash which backs up the liability is invested 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 liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

### **1.13 Value Added Tax**

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount 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.

### **1.14 Property, Plant and Equipment**

#### **1.14.1 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. 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.

All donated property, plant and equipment is recognised at its fair value.

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 was not determinable, its 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.

#### **1.14.2 Subsequent Measurement - Cost model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and 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 associated with the asset.

#### **1.14.3 Depreciation and Impairment**

## Accounting Policies

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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 and depreciation ceases at the earlier of the date that the asset is derecognised. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives at acquisition of all Property, Plant and Equipment. These useful lives can be extended in applying a review of useful lives.

Item	Average useful life
<b>Buildings</b>	
• Improvements	10-60
• Historical Buildings PPE	200
<b>Infrastructure</b>	
• Airfield	50-80
• Electricity	10-60
• Roads and Paving	10-80
• Solid Waste Disposal	20-40
• Sewerage	10-60
• Water	10-60
<b>Community</b>	
• Community Facilities	10-80
• Recreational Facility	10-60
<b>Other</b>	
• Computer Equipment	5-10
• Emergency Equipment	5-10
• Furniture and Fittings	5-10
• Motor vehicles	7-10
• Office Equipment	5-10
• Plant and Equipment	5-30
• Other Assets	5-30

### 1.14.4 Derecognition

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.

## 1.15 Investment Properties

### 1.15.1 Initial Recognition

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

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

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. The cost of self-constructed investment property is the cost at date of completion.

### 1.15.2 Subsequent Measurement - Fair value model

## **Accounting Policies**

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Subsequent to initial recognition investment properties are measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

### **1.15.3 Derecognition**

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.

### **1.16 Intangible Assets**

#### **1.16.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs.

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; and
  - it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

#### **1.16.2 Subsequent Recognition - Cost model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. 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.

#### **1.16.3 Amortisation and Impairment**

## **Accounting Policies**

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

For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Intangible Assets	Years
Computer Software	2-5
Other intangible assets	3-30

These useful lives can be extended in applying a review of useful lives

### **1.16.4 Derecognition**

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.

### **1.17 Heritage Assets**

#### **1.17.1 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 Economic Entity, 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.

#### **1.17.2 Subsequent Measurement - Cost model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

#### **1.17.3 Depreciation and Impairment**

Heritage assets are not depreciated, since their long economic life and high residual value means that any depreciation would be immaterial.

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

#### **1.17.4 Derecognition**

## **Accounting Policies**

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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.

### **1.18 Assets classified as held for sale**

#### **1.18.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### **1.18.2 Subsequent Measurement**

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

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

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

#### **1.18.3 Derecognition**

Non-current assets and disposal groups classified as held for sale will cease to be classified as such when the recognition criteria are no longer met.

### **1.19 Impairment of Assets**

#### **1.19.1 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.

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.

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 cash-generating unit'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.

## **Accounting Policies**

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### **1.19.2 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.

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 recorded 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:

- depreciated 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. With 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.

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.

### **1.20 Non Current Investments**

Non-current investments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost using the effective interest method less any impairment. Where an investment has 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 the impairment is identified.

### **1.21 Inventories**

#### **1.21.1 Initial Recognition**

## **Accounting Policies**

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Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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.

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.

### **1.21.2 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 from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. 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.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

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. In general, the basis of allocating cost to inventory items is the weighted average method.

### **1.22 Trade and Other Receivables**

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

### **1.23 Cash and Cash Equivalents**

Cash includes cash on hand, call deposits 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 and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, call deposits and cash with banks, net of bank overdrafts.

### **1.24 Revenue Recognition**

#### **1.24.1 Revenue from Exchange Transactions**

## **Accounting Policies**

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Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Provisional estimates of consumption are made monthly when meter readings have not been performed. 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.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. 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.

Service charges from sewerage and sanitation for residential and business properties are levied annually based on a fixed tariff.

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.

Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant liability, if the grant conditions indicate that interest is payable to the funder.

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

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

### **1.24.2 Revenue from Non-Exchange Transactions**

- 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.
- The income for agency services recognised is commission in terms of the agency agreement.

## **Accounting Policies**

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### **1.25 Changes in Accounting Policy, Estimate and Correction of Error**

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

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

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or the error.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

### **1.26 Unauthorised Expenditure**

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense 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, Act No. 20 of 1998 or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

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

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

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

## **Accounting Policies**

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### **1.28 Fruitless and Wasteful Expenditure**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.29 Related Parties**

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3rd bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

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

### **1.30 Financial Instruments**

The Municipality has various types of financial instruments and these can be broadly categorised as either Financial Assets or Financial Liabilities.

#### **1.30.1 Financial Assets**

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The Municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Receivables
- Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Cash and Cash Equivalents

#### **1.30.2 Financial Liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and Other Payables
- Bank Overdraft
- Current Portion of Long-term Liabilities

#### **1.30.3 Measurement**

## **Accounting Policies**

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### **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.

### **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, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

### **1.30.4 Impairment of Financial Assets**

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

### **1.30.5 Derecognition of Financial Assets**

#### **1.30.5.1 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, 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.

#### **1.30.5.2 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 derecognition 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.

## **Accounting Policies**

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### **1.30.6 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.

### **1.31 Contingent Liabilities/ 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 asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets and liabilities are not recognised in the Statement of Financial Position. Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets are disclosed where an inflow of economic benefits or service potential is probable.

### **1.32 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.

## **Accounting Policies**

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### **1.33 Significant judgements and sources of estimation uncertainty**

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are insignificant to the annual financial statements are set out below:

#### **Revenue Recognition**

Accounting Policy 1.25.1 on Revenue from Exchange Transactions and Accounting Policy 1.25.2 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In concluding judgement, management considered the detailed criteria for recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **Financial assets and liabilities**

The classification of financial assets and liabilities is based on judgement by management.

#### **Sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**Impairment of Financial Assets** - Accounting Policy 1.32.4: Financial Instruments, referring to paragraph on Impairment of Financial Assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the Annual Financial Statements. Useful lives of Property, Plant and Equipment - As described in Accounting Policy 1.15.3, the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge and are revalued annually.

#### **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.

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.

**Defined Benefit Plan Liabilities** - The municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable notes to the Annual Financial Statements.

#### **Provisions and contingent liabilities**

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

## **Accounting Policies**

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### **1.33 Significant judgements and sources of estimation uncertainty (continued)**

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

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. Accounting Policy 1.32.4: Financial Instruments, referring to paragraph on Impairment of Financial Assets, describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments - Recognition and Measurement. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in the applicable notes to the Annual Financial Statements. Useful lives of Property, Plant and Equipment - As described in Accounting Policy 1.15.3, the municipality depreciates its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are brought into use. The useful life and residual values of the assets are based on industry knowledge and are revalued annually.

#### **Available-for-sale financial assets**

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the municipality would suffer an additional deficit of R - in its 2014 financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

#### **Allowance for slow moving, damaged and obsolete stock**

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

#### **Options granted**

Management used the ABC model to determine the value of the options at issue date. Additional details regarding the estimates are included in the note - Share based payments.

#### **Fair value estimation**

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

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

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

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

## **Accounting Policies**

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### **1.33 Significant judgements and sources of estimation uncertainty (continued)**

#### **Impairment testing**

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

#### **Provisions**

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

#### **Contingent provisions on entity combinations**

Contingencies recognised in the current year required estimates and judgments, refer to note on entity combinations.

#### **Expected manner of realisation for deferred tax**

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note – Deferred tax.

#### **Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The municipality recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The municipality recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the municipality to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the municipality to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

#### **Useful lives of waste and water network and other assets**

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

## **Accounting Policies**

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### **1.33 Significant judgements and sources of estimation uncertainty (continued)**

#### **Post retirement benefits**

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

#### **Effective interest rate**

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

#### **Allowance for doubtful debts**

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

### **1.34 Property, plant and equipment**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. 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. All donated property, plant and equipment is recognised at its fair value. 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 was not determinable, its 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.

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

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

Property, plant and equipment is initially measured at cost.

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

## Accounting Policies

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### 1.34 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

Item	Average useful life
Buildings	
• Improvements	10-60
• Historical Buildings PPE	200
Infrastructure	
• Airfield	50-80
• Electricity	10-60
• Roads and Paving	10-80
• Solid Waste Disposal	20-40
• Sewerage	10-60
• Water	10-60
Community	
• Community Facilities	10-80
• Recreational Facility	10-60
Other	
• Computer Equipment	5-10
• Emergency Equipment	5-10
• Furniture and Fittings	5-10
• Motor vehicles	7-10
• Office Equipment	5-10
• Plant and Equipment	5-30
• Other Assets	5-30

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

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

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

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

## **Accounting Policies**

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### **1.34 Property, plant and equipment (continued)**

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

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

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

#### **Transitional provision**

The municipality changed its accounting policy for property, plant and equipment in 2014. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 9. The transitional provision expires on .

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2014 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 9.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

**Sub-heading**

**Sub-heading**

**Sub-heading**

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 2. CHANGES IN ACCOUNTING POLICY

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 25

The aggregate effect of the changes in accounting policy on the financial statements for the year ended 30 June 2013 is as follows:

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

[If retrospective application is impracticable for a particular prior period, or for periods before those presented, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

The municipality has not applied the new [name the standard or interpretation] issued, and effective for periods commencing . [Describe the new required treatment and the current treatment.] The estimated impact of the implementation of the new standard on the 2014 financial statements is as follows:

### 3. INVENTORIES

Consumable stores	1 028 588	2 834 345
Maintenance materials	6 665 262	5 701 042
Water	170 614	170 614
	<b>7 864 464</b>	<b>8 706 001</b>

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

### 4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Prepayments	-	9 648 810
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### 5. CONSUMER DEBTORS

#### Gross balances

Electricity	43 843 361	52 812 884
Refuse	19 511 259	17 459 923
Sewerage	40 682 361	37 396 479
Water	95 497 326	85 456 776
Other (specify)	20 328 112	19 676 404
	<b>219 862 419</b>	<b>212 802 466</b>

#### Less: Allowance for impairment

Electricity	(14 294 375)	(14 294 375)
Refuse	(8 427 688)	(8 427 688)
Sewerage	(15 489 308)	(15 489 308)
Water	(42 820 343)	(42 820 343)
Other (specify)	(10 437 532)	(3 302 502)
	<b>(91 469 246)</b>	<b>(84 334 216)</b>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>5. CONSUMER DEBTORS (continued)</b>		
<b>Net balance</b>		
Electricity	29 548 986	38 518 509
Refuse	11 083 571	9 032 235
Sewerage	25 193 053	21 907 171
Water	52 676 983	42 636 433
Other (specify)	9 890 580	16 373 902
	<b>128 393 173</b>	<b>128 468 250</b>
<b>Electricity</b>		
Current (0 -30 days)	14 477 574	5 937 571
31 - 60 days	1 845 678	3 436 965
61 - 90 days	1 514 471	2 409 118
91 - 120 days	11 711 263	26 734 855
	<b>29 548 986</b>	<b>38 518 509</b>
<b>Water</b>		
Current (0 -30 days)	5 698 250	1 593 562
31 - 60 days	1 892 970	1 167 710
61 - 90 days	1 709 354	987 132
91 - 120 days	43 376 409	38 888 029
	<b>52 676 983</b>	<b>42 636 433</b>
<b>Sewerage</b>		
Current (0 -30 days)	702	587 701
31 - 60 days	351	278 718
61 - 90 days	351	228 925
91 - 120 days	25 191 649	20 811 827
	<b>25 193 053</b>	<b>21 907 171</b>
<b>Refuse</b>		
Current (0 -30 days)	882 154	286 144
31 - 60 days	311 020	194 593
61 - 90 days	294 460	166 146
91 - 120 days	9 595 937	8 385 352
	<b>11 083 571</b>	<b>9 032 235</b>
<b>Other (specify)</b>		
Current (0 -30 days)	513 739	109 417
31 - 60 days	110 719	70 783
61 - 90 days	55 473	128 272
91 - 120 days	9 210 649	16 065 430
	<b>9 890 580</b>	<b>16 373 902</b>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>5. CONSUMER DEBTORS (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Household</b>		
Current (0 -30 days)	11 669 818	12 842 281
31 - 60 days	3 821 430	4 706 725
61 - 90 days	4 024 253	3 510 635
91 - 120 days	125 321 529	116 390 172
	<u>144 837 030</u>	<u>137 449 813</u>
Less: Allowance for impairment	-	(54 109 229)
	<b><u>144 837 030</u></b>	<b><u>83 340 584</u></b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	4 659 102	4 652 296
31 - 60 days	1 652 748	1 806 496
61 - 90 days	904 460	2 163 934
91 - 120 days	19 592 136	21 847 323
	<u>26 808 446</u>	<u>30 470 049</u>
Less: Allowance for impairment	-	(11 995 002)
	<b><u>26 808 446</u></b>	<b><u>18 475 047</u></b>
<b>National and provincial government</b>		
Current (0 -30 days)	1 144 504	1 508 739
31 - 60 days	331 772	715 534
61 - 90 days	229 758	638 918
91 - 120 days	1 229 690	8 826 035
	<u>2 935 724</u>	<u>11 689 226</u>
<b>Total</b>		
Current (0 -30 days)	17 473 424	19 003 316
31 - 60 days	5 805 950	7 228 755
61 - 90 days	5 158 471	6 313 491
91 - 120 days	146 143 455	147 063 530
	<u>174 581 300</u>	<u>179 609 092</u>
Less: Allowance for impairment	(46 188 127)	(51 140 842)
	<b><u>128 393 173</u></b>	<b><u>128 468 250</u></b>
<b>Less: Provision for debt impairment</b>		
31 - 60 days	-	(3 609 799)
61 - 90 days	-	(3 600 366)
91 - 120 days	(13 720 387)	(2 719 504)
121 - 365 days	(77 748 859)	(74 404 547)
	<b><u>(91 469 246)</u></b>	<b><u>(84 334 216)</u></b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(84 334 216)	(59 877 894)
Impairment losses recognised	-	(23 521 562)
Amounts written off as uncollectable	(7 135 030)	(934 760)
	<b><u>(91 469 246)</u></b>	<b><u>(84 334 216)</u></b>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>6. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Assessment rates debtors	40 981 651	35 810 440
Payments made in advance	929 254	367 223
Sundry Deposits	66 078	50 000
Sundry debtors	3 606 955	5 045 850
Creditors with debit balance	-	2 235 834
Impairment on assessment rates debtors	(16 391 834)	(16 391 834)
	<b>29 192 104</b>	<b>27 117 513</b>

**Receivables from non-exchange transactions past due but not impaired**

1 month past due	-	484 543
2 months past due	-	313 586
3 months past due	-	17 014 205

**7. VAT RECEIVABLE**

VAT	93 303	1 658 397
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VAT is payable on the receipts basis. Only once payment is received from debtors VAT is paid over to SARS.

**8. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of:

Current Investments	1 589 482	5 700 124
Bank Accounts	-	4 128 619
Other Cash and Cash Equivalents	5 450	3 950
Bank Overdraft	(15 466 633)	-
	<b>(13 871 701)</b>	<b>9 832 693</b>
Current assets	1 594 932	9 832 693
Current liabilities	(15 466 633)	-
	<b>(13 871 701)</b>	<b>9 832 693</b>

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

**Current Investment Deposits**

**The municipality had the following bank accounts**

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
First National Bank, Grahamstown - 620 312 325 31	10 092 144	17 777 349	7 415 493	-	-	-
Standard Bank , Grahamstown - 081 999 356	7 215 473	522 693	522 693	-	-	-
Primary Bank	-	-	-	-	4 128 619	6 381 354
<b>Total</b>	<b>17 307 617</b>	<b>18 300 042</b>	<b>7 938 186</b>	<b>-</b>	<b>4 128 619</b>	<b>6 381 354</b>

**Other Cash and Cash Equivalents**

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>8. CASH AND CASH EQUIVALENTS (continued)</b>		
Cash Floats and Advances	5 450	3 950

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities. No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

**9. PROPERTY, PLANT AND EQUIPMENT**

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	109 547 241	-	109 547 241	319 236 991	-	319 236 991
Buildings	88 057 347	(17 463 421)	70 593 926	361 128 790	(47 618 214)	313 510 576
Infrastructure	701 066 850	(139 876 677)	561 190 173	651 845 534	(112 694 470)	539 151 064
Community	49 907 250	(9 642 035)	40 265 215	49 521 287	(7 510 142)	42 011 145
Other property, plant and equipment	47 622 259	(19 532 399)	28 089 860	47 288 009	(16 039 316)	31 248 693
<b>Total</b>	<b>996 200 947</b>	<b>(186 514 532)</b>	<b>809 686 415</b>	<b>1 429 020 611</b>	<b>(183 862 142)</b>	<b>1 245 158 469</b>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R					
<b>9. PROPERTY, PLANT AND EQUIPMENT (continued)</b>							
<b>Reconciliation of property, plant and equipment - 2014</b>							
	Opening balance	Additions	Working progress	Other changes, movements	Depreciation	Impairment reversal	Total
Land	319 236 991	-	-	(209 689 750)	-	-	109 547 24
Buildings	313 510 576	80 717	-	(273 152 160)	(3 572 345)	33 727 138	70 593 92
Infrastructure	539 151 064	-	49 221 317	-	(27 182 208)	-	561 190 17
Community	42 011 145	-	385 963	-	(2 131 893)	-	40 265 21
Other property, plant and equipment	31 248 693	520 073	-	-	(3 678 906)	-	28 089 86
	<b>1 245 158 469</b>	<b>600 790</b>	<b>49 607 280</b>	<b>(482 841 910)</b>	<b>(36 565 352)</b>	<b>33 727 138</b>	<b>809 686 41</b>

**Reconciliation of property, plant and equipment - 2013**

	Opening balance	Additions	Working progress	Disposals	Depreciation	Impairment loss	Total
Land	319 236 991	-	-	-	-	-	319 236 99
Buildings	324 409 992	1 131 616	-	-	(12 031 032)	-	313 510 57
Infrastructure	488 455 257	6 990 783	72 580 793	-	(28 875 769)	-	539 151 06
Community	43 635 380	154 667	83 010	-	(1 861 912)	-	42 011 14
Other property, plant and equipment	24 940 523	10 277 401	-	(279 178)	(3 456 568)	(233 485)	31 248 69
	<b>1 200 678 143</b>	<b>18 554 467</b>	<b>72 663 803</b>	<b>(279 178)</b>	<b>(46 225 281)</b>	<b>(233 485)</b>	<b>1 245 158 46</b>

**Pledged as security**

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

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

**10. INTANGIBLE ASSETS**

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets 1	1 137 881	(189 575)	948 306	506 827	(58 911)	447 916

**Reconciliation of intangible assets - 2014**

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Intangible assets 1	447 916	631 054	(56 643)	(74 021)	948 306

**Reconciliation of intangible assets - 2013**

	Opening balance	Additions	Amortisation	Total
Intangible assets 1	304 137	145 707	(1 928)	447 916

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 11. HERITAGE ASSETS

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	28 931 049	-	28 931 049	25 769 649	-	25 769 649

#### Reconciliation of heritage assets 2014

	Opening balance	Additions	Total
Historical buildings	25 769 649	3 161 400	28 931 049

#### Reconciliation of heritage assets 2013

	Opening balance	Additions	Total
Historical buildings	23 100 874	2 668 775	25 769 649

The municipality has taken advantage of the transitional provisions in Directive 4 from the Accounting Standards Board with the implementation of GRAP 103. The municipality is currently in a process of identifying all Heritage Assets and having it valued in terms of GRAP 103 and it is expected that this process will be completed for inclusion in the 2014/15 Annual Financial Statements.

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

No restrictions apply to any of the Heritage Assets of the municipality. Refer to Appendix "B" for more detail on Heritage Assets.

#### Fair value of heritage assets (measured at cost less accumulated impairment losses)

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

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

### 12. INVESTMENT PROPERTY

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	201 302 330	-	201 302 330	228 460 350	(1 578 199)	226 882 151

#### Reconciliation of investment property - 2014

	Opening balance	Write off	Reversal of impairments	Fair value adjustments	Total
Investment property	226 882 151	(32 403 921)	1 578 200	5 245 900	201 302 330

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
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**12. INVESTMENT PROPERTY (continued)**

**Reconciliation of investment property - 2013**

	Opening balance	Additions	Depreciation	Total
Investment property	227 125 876	153 673	(397 398)	226 882 151

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

**Details of valuation**

Amounts recognised in surplus and deficit for the year.

**13. INVESTMENT**

Fixed deposit	601 391	485 442
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The Municipal Structures Act, Act 177 of 1998, requires local authorities to invest funds which are not immediately required with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

**Non-current assets**

Residual interest at cost	601 391	485 442
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**Financial assets at fair value**

**14. CONSUMER DEPOSITS**

Electricity and water	2 297 709	2 206 448
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Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on Consumer Deposits held.

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>15. PROVISIONS</b>		
<b>Reconciliation of provisions - 2014</b>		
	Opening Balance	Additions
	Utilised during the year	Transfer
	Total	
Environmental rehabilitation	749 691	(953 748)
Post retirement medical aid	1 785 912	188 712
Long-term service	986 176	404 634
Social benefits	3 617 706	1 731 839
	458 568	(1 059 257)
	<b>7 139 485</b>	<b>1 371 437</b>
	<b>458 568</b>	<b>(1 059 257)</b>
	<b>7 910 233</b>	<b>7 910 233</b>

**Reconciliation of provisions - 2013**

	Opening Balance	Additions	Utilised during the year	Transfer	Total
<b>Current</b>					
Post-retirement	1 709 976	-	(1 709 976)	1 785 912	1 785 912
Long-term service	812 858	-	(812 858)	986 176	986 176
<b>Non current</b>					
Environmental rehabilitation	720 164	29 527	-	-	749 691
Long-term service	3 544 625	1 148 782	(89 525)	(986 176)	3 617 706
	<b>6 787 623</b>	<b>1 178 309</b>	<b>(2 612 359)</b>	<b>1 785 912</b>	<b>7 139 485</b>

The movement in provisions are reconciled as follows:

**Current Portion of Non-Current Provisions**

Non-current liabilities	4 544 799	4 367 397
Current liabilities	3 365 434	2 772 088
	<b>7 910 233</b>	<b>7 139 485</b>

**16. PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade payables	26 723 532	26 957 133
Retentions	1 396 132	1 422 742
Accrued leave pay	642 160	-
Other creditors	263 876	263 876
	<b>29 025 700</b>	<b>28 643 751</b>

The municipality did default on payment of its Creditors. However, no terms for payment have been renegotiated by the municipality.

The average credit period on purchases is 180 (2013:70) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>17. PAYABLES FROM NON- EXCHANGE TRANSACTIONS</b>		
Other Creditor	24 626 975	47 473 535
Staff Bonus	3 062 684	3 062 684
Staff Leave Accrued	15 062 997	9 078 645
Sundry Debtors	2 077 080	1 825 429
Debtors with Credit Balances	-	11 884 644
	<b>44 829 736</b>	<b>73 324 937</b>

Staff Bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date. Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date. No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

**18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

Unspent conditional grants and receipts comprises of:

**Unspent conditional grants and receipts**

Other grants	25 040 606	-
Municipal Infrastructure Grant	20 665 222	20 665 222
NDPG	-	522 628
Equitable Share	-	5 768 315
Department Housing	3 345 595	3 345 595
Fianance Management Grant (FMG)	-	1 462 950
Municipal Sustems Improvement Grant(MSIG)	-	1 227 651
Expanded Public Works program (EPWP)	197 393	197 393
Department of Sport, Recreation,Arts & Culture	943 247	943 247
Department of Water affairs(DWA)	(2 647 902)	(2 647 902)
Other Government: Other Grants	2 829 037	2 829 037
Department of Minerals & Energy(DME)	-	6 000 000
Provincial : Other Grants	4 866 099	4 866 099
Department of Cooperative Governance(CoGHTA)	44 494	44 494
Department of Sport	(98 371)	(98 371)
	<b>55 185 420</b>	<b>45 126 358</b>

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

These amounts are invested in a ring-fenced investment until utilised.

**19. VAT PAYABLE**

Tax refunds payables	14 168 736	-
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Vat is payable on the receipts basis. Only once payment is reveived from debtors, VAT is paid over to SARS.

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

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>20. OTHER FINANCIAL LIABILITIES</b>		
<b>Designated at fair value</b>		
Bank loan	54 005 137	23 639 776
Refer to Appendix A for detail on Long-term Liabilities.		
<b>Non-current liabilities</b>		
Designated at fair value	50 116 917	21 912 987
<b>Current liabilities</b>		
Designated at fair value	3 888 220	1 726 789

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>21. EMPLOYEE BENEFIT OBLIGATIONS</b>		
<b>Defined benefit plan</b>		
The amounts recognised in the statement of financial position are as follows:		
<b>Carrying Value</b>		
Post-retirement health care benefits liability	(57 100 887)	(45 862 298)
Long service awards	(5 153 490)	(4 603 882)
	<b>(62 254 377)</b>	<b>(50 466 180)</b>
<b>Heading</b>		
Non-Current liabilities	(59 698 211)	(47 694 092)
Current liabilities	(2 556 166)	(2 772 088)
	<b>(62 254 377)</b>	<b>(50 466 180)</b>

### Post retirement health care benefit liability

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

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

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the municipality as at 30 June 2007 in terms of IAS 19, Employee Benefits, paragraph 155(b).

The municipality has elected to recognise the transitional liability as an expense on a straightline basis over 5 years from the date of adoption of which the transitional liability period ended on 30 June 2011.

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

In-service members (Employees) members	350	312
In-service members (Employees) non-members	290	299
Continuation members (retirees and widow/widowers)	68	66
	<b>708</b>	<b>677</b>

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

In-service members (Employees) members	26 531 696	19 319 415
In-service members (Employees) non-members	5 838 885	4 537 091
Continuation members (retirees and widow/widowers)	24 730 306	22 005 792
	<b>57 100 887</b>	<b>45 862 298</b>

### The municipality makes monthly contributions for health-care arrangements to the following Medical Aid Schemes

Bonitas  
Samwumed  
Keyhealth  
Hosmed  
LA Health

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>21. EMPLOYEE BENEFIT OBLIGATIONS (continued)</b>		
Post retirement gratuity plan		
Pension benefits		
Other defined benefit pension funds		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	57 100 887	45 862 298
Other [provide details]	(92 269 106)	(89 938 684)
	<u>(35 168 219)</u>	<u>(44 076 386)</u>
[Provide a brief description of the link between the reimbursement right(s) and the related obligation]		
The fair value of plan assets includes:		
The major categories of plan assets as a percentage of total plan assets are as follows:		
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	(2 030 635)	-
Net expense recognised in the statement of financial performance	13 024 501	(2 030 635)
	<u>10 993 866</u>	<u>(2 030 635)</u>
The amounts recognised in the statement of financial performance are as follows		
Current service cost	2 113 734	2 300 358
Interest cost	3 977 224	3 869 563
Actuarial (gains) losses	6 933 543	(8 200 556)
	<u>13 024 501</u>	<u>(2 030 635)</u>
Calculation of actuarial gains and losses		
Changes in the fair value of plan assets are as follows:		

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
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**21. EMPLOYEE BENEFIT OBLIGATIONS (continued)**

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

(i) Rate of interest

Discount Rates	9,05 %	8,84 %
Health-care cost Inflation Rate	8,22 %	7,75 %
Net effective Discount Rate	0,76 %	1,01 %

(ii) Normal Retirement Age

Expected Retirement Age (females)	63	63
Expected Retirement Age (males)	63	63

The PA 90-1 mortality table, adjusted down by one year of age, was used. The SA85-90 ultimate table, adjusted for female lives was used.

**Movements in the present value of the defined benefit obligations were as follows:**

Balance at the beginning of the year	45 862 298	49 602 909
Current Service Cost	2 113 734	2 300 358
Interest Cost	3 977 224	3 869 563
Expected Employer Benefits Payments	(1 785 912)	(1 709 976)
Actuarial (Losses)/Gains unrecognised	6 933 543	(8 200 556)
	<b>57 100 887</b>	<b>45 862 298</b>

**Other assumptions**

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

**The history of experienced adjustments is as follows:**

The fair value of Plan assets : The post-employment health care liability is not a funded arrangement i.e no separate assets have been set aside to meet this liability

	2014 R	2013 R	2012 R	2011 R	2010 R
Present Value of Defined benefit obligation	(57 100 887)	(45 862 298)	(49 602 909)	(41 693 479)	(3 539 312)

The municipality expects to make a contribution of R7 912 401 (2013: R6 090 921) to the Defined Benefit Plan during the next financial year

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
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**21. EMPLOYEE BENEFIT OBLIGATIONS (continued)**

**Long -service awards**

	2014	2013
Balance at the beginning of the year	3 617 706	3 544 625
Contributions to provision	987 691	1 148 782
Increase due to discount	548 093	(89 525)
Subtotal	5 153 490	4 603 882
Transfer to current provision	(581 542)	(986 176)
	<b>4 571 948</b>	<b>3 617 706</b>

**Movement in the present value of Long Service Awards are as follows:**

Current Service Costs	703 547	909 523
Interest Cost	284 144	239 259
Actuarial (gains) losses and Benefits paid	548 093	(89 525)
	<b>1 535 784</b>	<b>1 059 257</b>

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

Actuarial (gains) losses obligation	1 535 784	1 059 257
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The amount recognised in the Statement of Financial Performance are as follows:

Contribution by employer	284 144	239 259
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**History of liabilities and assets**

	2014	2013	2012	2011	
Accrued liability	(5 153 490)	(4 603 882)	(4 357 483)	(3 765 630)	(17 880 485)
		Column heading (709 821)	Column heading (39 262)	Column heading (25 957)	Column heading (351 586)
Liabilities:(Gains)/Losses					

**Key assumptions used**

**Assumptions used at the reporting date**

	2014	2013
Discount rate used	7.79%	6.90%
General salary inflation (long -term)	7.05%	6.68%
Net effective discount rate	0.69%	0.21%

**Plan A**

The reason why sufficient information is not available to enable the municipality to account for the plan as a defined benefit plan is [specify the reason].

**22. FINANCE LEASE OBLIGATION**

**Minimum lease payments due**

- within one year	-	283 034
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**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>23. REVENUE</b>		
Service charges	161 564 120	166 252 776
Rental of facilities and equipment	789 348	1 058 789
Interest received (trading)	10 835 646	9 710 615
Income from agency services	877 055	1 006 407
Licences and permits	2 596 574	2 410 545
Other income - (rollup)	2 062 883	1 716 769
Interest received - investment	385 120	1 325 220
Property rates	46 135 174	38 084 464
Government grants & subsidies	94 429 938	133 752 144
Fines	655 711	995 662
	<b>320 331 569</b>	<b>356 313 391</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	161 564 120	166 252 776
Rental of facilities and equipment	789 348	1 058 789
Interest received (trading)	10 835 646	9 710 615
Income from agency services	877 055	1 006 407
Licences and permits	2 596 574	2 410 545
Other income - (rollup)	2 062 883	1 716 769
Interest received - investment	385 120	1 325 220
	<b>179 110 746</b>	<b>183 481 121</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	46 135 174	38 084 464
<b>Transfer revenue</b>		
Government grants & subsidies	94 429 938	133 752 144
Fines	655 711	995 662
	<b>141 220 823</b>	<b>172 832 270</b>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>24. PROPERTY RATES</b>		
<b>Rates received</b>		
Residential	17 189 378	12 972 178
Commercial	8 233 075	8 358 840
State	1 793 850	9 135 802
Municipal	9 941 346	-
Agricultural	1 763 355	813 760
Industrial	891 327	817 688
Educational	2 060 003	8 878 779
Institutional	7 633 633	14 018
Less: Income forgone	(3 370 793)	(2 906 601)
	<b>46 135 174</b>	<b>38 084 464</b>
<b>Valuations</b>		
Residential	4 483 151	4 486 770
Commercial	757 012	1 714 969
State	664 085	857 657
Municipal	386 014	259 443
Undetermined	-	2 151
Agricultural	1 856 163	935 153
Industrial	153 097	155 650
Educational	525 377	1 513 183
Institutional	988 429	66 646
	<b>9 813 328</b>	<b>9 991 622</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

**25. SERVICE CHARGES**

Service charges	89 858	128 567
Sale of electricity	95 765 691	106 422 540
Sale of water	39 593 551	34 412 526
Sewerage and sanitation charges	19 752 159	16 844 403
Refuse removal	6 362 861	8 444 740
	<b>161 564 120</b>	<b>166 252 776</b>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>26. GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Operating grants</b>		
Equitable share	53 602 000	66 808 999
Municipal System Improvement Grant (MSIG)	937 584	-
Department Sport, Recreation, Arts & Culture	-	3 451 721
Municipal Infrastructure Grant (MIG)	1 808 947	837 951
Finance Management Grant (FMG)	1 240 497	1 487 050
Other Government: LG Seta	195 853	457 244
Other grant	4 009 517	1 311 124
	<u>61 794 398</u>	<u>74 354 089</u>
<b>Capital grants</b>		
Neighbourhood Development Partnership Grant (NDPG)	5 407 499	21 601 051
Human Settlement Grant	1 895 140	-
DWA	6 657 391	-
CDM	1 276 448	2 837 803
Municipal Infrastructure Grant (MIG)	14 086 037	30 097 523
Government grant (capital) 7	-	4 096 497
Other Grant	3 313 025	-
Housing project	-	765 181
	<u>32 635 540</u>	<u>59 398 055</u>
	<u><b>94 429 938</b></u>	<u><b>133 752 144</b></u>

### Equitable Share

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

All registered indigents receive a monthly subsidy based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All registered indigent household receive 10kl water and 50 kWh electricity free every month. No funds will be withheld.

### Grant 1

Current-year receipts	25 040 606	66 809 000
Conditions met - transferred to revenue	-	(66 809 000)
	<u><b>25 040 606</b></u>	<u><b>-</b></u>

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

### Municipal Infrastructure Grant

Balance unspent at beginning of year	20 665 222	22 110 696
Current-year receipts	26 503 014	29 490 000
Conditions met - transferred to revenue	(14 086 036)	(30 097 523)
Conditions Met transferred to revenue : Operation	(1 808 947)	-
Unspent	(10 608 031)	(837 951)
	<u><b>20 665 222</b></u>	<u><b>20 665 222</b></u>

Conditions still to be met - remain liabilities (see note 18).

The municipal Infrastructure Grant (MIG) was allocated for construction of Roads, basic sewere and water infrastructure as pa of the life of poor households, micro enterprise and social institution. and also to provide new , rehabilitation and upgrading of municipal infrastructure.

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>NDPG</b>		
Balance unspent at beginning of year	522 628	8 823 679
Current-year receipts	5 841 000	13 300 000
Conditions met - transferred to revenue	(5 841 000)	(21 601 051)
Other	(522 628)	-
	<u>-</u>	<u>522 628</u>

Conditions still to be met - remain liabilities (see note 18).

Expenses were incurred to promote development of communities. R14 650 000 have been withheld

**Equitable Share**

Balance unspent at beginning of year	5 768 315	5 768 315
Current-year receipts	53 602 000	-
Transferred to revenue	(53 602 000)	-
Other	(5 768 315)	-
	<u>-</u>	<u>5 768 315</u>

**Department of Housing**

Balance unspent at beginning of year	3 345 595	4 805 392
Current-year receipts	-	765 181
Conditions met - transferred to revenue: operation	-	(765 181)
Conditions met - transferred to revenue: Capital	-	(1 459 797)
	<u>3 345 595</u>	<u>3 345 595</u>

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

This Grant was allocated to the municipality to assist the municipality to provide housing for the poor

**Finance Management Grant**

Balance unspent at beginning of year	1 462 950	1 450 000
Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 240 497)	(1 454 386)
Unspent	(309 503)	(32 664)
Other	(1 462 950)	-
	<u>-</u>	<u>1 462 950</u>

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

The Finance Management Grant is paid by National Treasury to municipalities to help them implement the finance management reforms required by Municipal finance Management Grant (MFMA) 2003

**Munisipal Systems Improvement Grant**

Balance unspent at beginning of year	1 227 651	427 651
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(937 674)	-
Overspent	47 674	-

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
Other	(1 227 651)	-
	<u>-</u>	<u>1 227 651</u>

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

The Munisipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems

**Expanded Public Works program**

Balance unspent at beginning of year	197 393	-
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 388 303)	(802 607)
Overspent	388 303	-
	<u>197 393</u>	<u>197 393</u>

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

The Expanded Public works Program was allocated to the municipality for enviromentaland water infrastructure projects

**Other Grants: LG Seta**

Current-year receipts	195 853	-
Conditions met - transferred to revenue	(195 853)	-
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

**Department of Sport, Recreation, Arts & Culture**

Balance unspent at beginning of year	943 247	409 968
Current-year receipts	3 985 000	3 985 000
Conditions met - transferred to revenue	(2 221 500)	(3 085 500)
Conditions met - transfered Capital	-	(366 221)
Unspent	(1 763 500)	-
	<u>943 247</u>	<u>943 247</u>

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

This Grant was allocated to the municipality for purpose of mantaining and building libraries in the community

**Department of Water Affairs**

Balance unspent at beginning of year	(2 647 902)	(525 334)
Current-year receipts	6 657 391	1 171 322
Conditions met - transferred to revenue	(9 461 662)	(3 293 890)
Overspent	2 804 271	-
	<u>(2 647 902)</u>	<u>(2 647 902)</u>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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Conditions still to be met - remain liabilities (see note 18).

This Grant was tranfered to the municipality for the operation and mantainance of sewerage and water schemes transfered from DWA to the municipality and refurbishment of water infrastructure.

### Other Government: Other Grants

Balance unspent at beginning of year	2 829 037	3 176 650
Current-year receipts	-	963 511
Conditions met - transferred to revenue	-	(1 311 124)
	<u>2 829 037</u>	<u>2 829 037</u>

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

### Department of Minerals and Energy

Balance unspent at beginning of year	6 000 000	-
Current-year receipts	-	6 000 000
Other	(6 000 000)	-
	<u>-</u>	<u>6 000 000</u>

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

This Grant was allocated to the municipality for electricity infrastructure

### Provincial: Other Grants

Balance unspent at beginning of year	4 866 099	4 366 099
Current-year receipts	-	500 000
	<u>4 866 099</u>	<u>4 866 099</u>

Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

This grant was allocated to the municipality for purpose of improving its financial administration

### Department of Cooperative Governance(CoGHTA)

Balance unspent at beginning of year	<u>44 494</u>	<u>44 494</u>
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Conditions still to be met - remain liabilities (see note 18).

Provide explanations of conditions still to be met and other relevant information.

This Grant was allocated to the institution for the funding of various projects. LED strategy, IDP, PMS to assist in improving performance of the municipality

### Provincial: Department of Sport & Recreation

Balance unspent at beginning of year	<u>(98 371)</u>	<u>(98 371)</u>
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Conditions still to be met - remain liabilities (see note 18).

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
Provide explanations of conditions still to be met and other relevant information.		
<b>27. OTHER INCOME</b>		
Administration/sale of plots	346 681	358 123
Advertising fees	1 210	784
Building Plans	350 097	427 999
Car pound fees	9 871	17 034
Grazing fees	21 538	20 400
Weighbridge fees	2 349	10 422
Sundry revenue	1 194 019	835 814
Search fees	4 865	2 815
Printing and photocopies	54 343	18 921
Refuse bags and bins	16 709	19 607
Royalties	41 111	-
Tow in charges	1 660	4 850
Vacuun tanker	477	-
Voluntary levy	17 953	-
	<b>2 062 883</b>	<b>1 716 769</b>

**28. GENERAL EXPENSES**

Admin charges PMU	-	303 837
Administration Charges	3 902 137	3 159 520
Advertising	1 789 786	1 357 688
Internal Audit fees	98 832	628 540
Bank charges	895 773	1 081 895
Chemicals	582 160	2 542 393
Cleaning	133 155	170 234
Commission paid	1 691 448	1 285 247
Conferences and seminars	1 157 252	1 836 031
Consulting and professional fees	3 041 705	3 150 635
Convention bureau	327 334	194 707
Corporate branding	-	73 243
Council meeting expenses	314 294	493 974
Electricity and Water	4 617 737	4 196 020
Emergency food supply	75 041	202 447
External Audit Fees	67 099	3 480 420
Fuel and oil	5 576 003	4 833 934
Hostel charges	-	48 300
Insurance	1 305 409	1 092 155
Rental expenses	1 140 400	143 633
License Cards And Licences	407 550	416 509
Materials and stores	461 899	430 634
Newsletter	83	190 276
Other expenses	(1 002 785)	1 377 000
Relocation Expenses	196 317	321 934
Postage and courier	941 899	696 359
Printing and stationery	-	4 903
Project Expenses From Own Funds	7 167 611	5 528 918
Protective clothing	404 920	517 824
Security (Guarding of municipal property)	3 871 788	2 673 290
Telephone and fax	2 650 967	1 832 455
Training	598 259	1 401 444
Travel - local	155 598	1 034 597
Uniforms	3 037	41 479
Valuation Expenses	1 562 912	258 840
	<b>44 135 620</b>	<b>47 001 315</b>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>29. EMPLOYEE RELATED COSTS</b>		
Basic	89 808 153	83 378 241
Bonus	498 199	404 610
Medical aid - company contributions	6 095 960	5 124 375
UIF	840 728	766 569
SDL	1 038 218	930 194
Leave pay provision charge	5 859 070	642 160
Group life insurance	565 598	484 049
Short term benefit 3	(6 383 935)	(1 784 236)
Defined contribution plans	13 011 292	11 561 662
Overtime payments	8 477 756	7 853 995
Transport allowance (bus coupons)	3 278 242	2 254 229
Housing benefits and allowances	270 439	367 010
Inconvenience benefit	1 124 676	1 105 194
Retention	161 598	157 987
Medical aid for retired members	138 330	3 673
Vacancies	51 541	44 281
	<b>124 835 865</b>	<b>113 293 993</b>
<b>Municipal manager: P Naidoo</b>		
Annual Remuneration	595 257	586 633
Company Contribution to UIF, Medical and Pension	-	7 771
Acting Allowance	-	179 127
Car and Other Allowance	114 199	112 546
	<b>709 456</b>	<b>886 077</b>
<b>Chief Financial officer: D Sahibdeen</b>		
Annual Remuneration	54 905	455 930
Acting Allowance	-	133 091
Car and other Allowances	10 458	67 982
Company Contribution to UIF, Medical and Pension Funds	873	6 131
	<b>66 236</b>	<b>663 134</b>
<b>Director: Community &amp; Social Services: M Planga</b>		
Annual Remuneration	691 142	510 137
Acting Allowance	78 303	87 261
Car and Other Allowances	131 643	106 970
Company Contribution to UIF, Medical and Pension Funds	10 767	7 791
	<b>911 855</b>	<b>712 159</b>
<b>Director: Corporate Services: M Madlavu</b>		
Annual Remuneration	658 858	644 492
Acting Allowance	-	14 234
Car and Other Allowances	125 493	133 000
Company contribution to UIF, Medical and Pension Funds	10 741	9 242
	<b>795 092</b>	<b>800 968</b>
<b>Director: Local Economic Development: MJ Meiring</b>		
Annual Remuneration	172 786	691 142
Car Allowance	32 911	142 627
Company contribution to UIF, Medical and Pension Funds	2 746	10 319
	<b>208 443</b>	<b>844 088</b>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>29. EMPLOYEE RELATED COSTS (continued)</b>		
<b>Director: Technical &amp; Infrastructure Services: ET Myalato</b>		
Annual Remuneration	658 858	658 858
Car and Allowances	125 493	135 965
Company Contribution to UIF, Medical and Pension Funds	10 742	9 785
Acting Allowance	84 176	-
	<b>879 269</b>	<b>804 608</b>
<b>Acting Director: Local Economic Development: T Sindane</b>		
Acting Allowance	178 320	-
<b>Acting Municipal Manager: T Mnguni</b>		
Acting Allowance	76 679	-
<b>30. REMUNERATION OF COUNCILLORS</b>		
Executive Major	6 470 396	7 625 316
Deputy Executive Mayor	1 866 339	157 181
	<b>8 336 735</b>	<b>7 782 497</b>
<b>31. INVESTMENT REVENUE</b>		
<b>Interest revenue</b>		
Bank	385 120	1 325 220
<b>32. DEPRECIATION AND AMORTISATION</b>		
Property, plant and equipment	36 729 303	46 624 609
<b>33. IMPAIRMENT OF ASSETS</b>		
<b>Impairments</b>		
Property, plant and equipment	21 149 630	23 237 754
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
<b>Reversal of impairments</b>		
Property, plant and equipment	1 360 000	283 808
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		
<b>Total impairment losses (recognised) reversed</b>	<b>22 509 630</b>	<b>23 521 562</b>
<b>34. FINANCE COSTS</b>		
Other interest paid	6 337 044	214 867
<b>35. AUDITORS' REMUNERATION</b>		
Fees	98 832	628 540

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>36. RENTAL OF FACILITIES AND EQUIPMENT</b>		
<b>Premises</b>		
Venue hire	85 601	116 475
<b>Facilities and equipment</b>		
Rental of facilities	700 524	914 395
Amenities	3 223	27 919
	<b>703 747</b>	<b>942 314</b>
	<b>789 348</b>	<b>1 058 789</b>
<b>37. CONTRACTED SERVICES</b>		
Other Contractors	6 469 478	4 331 710
<b>38. GRANTS AND SUBSIDIES PAID</b>		
<b>Other subsidies</b>		
Grants in aid	-	44 345
Free basic services	20 549 245	15 252 117
Makana Tourism	968 238	604 219
Internship programme	575 659	1 275 777
Donation	134	9 562
Rhodes	-	1 397
	<b>22 093 276</b>	<b>17 187 417</b>
<b>39. BULK PURCHASES</b>		
Electricity	67 096 416	67 875 088
Water	-	1 353 738
	<b>67 096 416</b>	<b>69 228 826</b>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
<b>40. CASH (USED IN) GENERATED FROM OPERATIONS</b>		
(Deficit) surplus	(25 701 011)	8 256 868
<b>Adjustments for:</b>		
Depreciation and amortisation	36 729 303	46 624 609
Gain on sale of assets and liabilities	-	148 328
Fair value adjustments	(5 245 900)	-
Impairment deficit	22 509 630	23 288 077
Movements in operating lease assets and accruals	-	18 373
Movements in retirement benefit assets and liabilities	(8 908 167)	(3 740 611)
Movements in provisions	770 748	275 926
Impairment loss on PPE	(33 727 138)	233 485
Prior year error	(2 366 498)	(1 744 507)
Bad debt write-off	-	(934 760)
<b>Changes in working capital:</b>		
Inventories	841 537	(1 430 835)
Receivables from exchange transactions	9 648 810	-
Consumer debtors	75 077	(42 842 190)
Other receivables from non-exchange transactions	(2 074 591)	(4 795 757)
Payables from exchange transactions	381 949	5 801 001
VAT	15 733 830	(6 133 951)
Taxes and transfers payable (non exchange)	(28 495 201)	10 206 539
Unspent conditional grants and receipts	10 059 062	(5 632 880)
Consumer deposits	91 261	135 430
Non current asset held for sale	-	98 000
	<b>(9 677 299)</b>	<b>27 831 145</b>

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 41. COMMITMENTS

#### Authorised capital expenditure

##### Already contracted for and approved.

• Infrastructure	67 743 316	92 386 933
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This committed expenditure relates to the infrastructure projects funded by external funders. R12 533 657.78 allocated for some of this projects funded by Municipal Infrastructure Grant was used and the municipality does not have funds to continue with them. Also included in there are the commitments recorded on contract amount dating back to 2010/2011 which its expenditure cannot be traced due to tender documents not available.

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	486 376	-
- in second to fifth year inclusive	531 994	-
- later than five years	-	-
	<b>1 018 370</b>	<b>-</b>

Municipality leased about 20 photocopier machines from Panasonic Business Systems Eastern Cape, NRG Office Solutions Pty Ltd and Konica Minolta, all starting in July and August 2013 respectively, all for the period of 36 months, instalments payable monthly.

No contingent rent payable and no lease renewal conditions in terms of the lease agreement.

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	623	681
- in second to fifth year inclusive	2 404	2 429
- later than five years	49 500	50 100
	<b>52 527</b>	<b>53 210</b>

Municipality entered into a finance lease contract for the photocopier machine with Konica Minolta for a period of 36 months commencing from June 2011, lease instalments payable monthly in advance.

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 42. RISK MANAGEMENT

#### Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes , , , 22, 20, cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The municipality's strategy is to maintain a gearing ratio of between % to %.

The gearing ratio at 2014 and 2013 respectively were as follows:

Less: Cash and cash equivalents	8	(13 871 701)	9 832 693
Net debt		13 871 701	(9 832 693)
Total equity		950 566 915	1 460 035 094
<b>Total capital</b>		<b>964 438 616</b>	<b>1 450 202 401</b>

#### Financial risk management

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

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

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. There has not been any reviews conducted during the year which exposed the municipality to high financial risks. Further quantitative disclosures are included throughout these Annual Financial Statements

## Notes to the Financial Statements

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### 42. RISK MANAGEMENT (continued)

#### Liquidity risk

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

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

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

#### Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances. The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made. Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured 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. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable. The municipality is not exposed to credit interest rate risk as the municipality has no borrowings. The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

#### Cash flow interest rate risk

## Notes to the Financial Statements

	2014 R	2013 R
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### 42. RISK MANAGEMENT (continued)

#### Credit risk

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

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

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor (impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties. Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
  - A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
  - The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
  - The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually.
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters

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

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Financial instrument	2014	2013
Fixed Deposit Investments	-	485 442
Receivables from Exchanged Transactions	-	222 451 277
Receivables from Non-exchange Transactions	-	43 509 346
Bank, Cash and Cash Equivalents	-	9 832 693
Maximum Credit and Interest Risk Exposure	-	276 278 758

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 42. RISK MANAGEMENT (continued)

#### Foreign exchange risk

The municipality's operations do not expose it to foreign exchange risk arising from various currency exposures and therefore has no formal policy to hedge volatilities in the interest rate market.

### 43. EVENTS AFTER THE REPORTING DATE

The following are the events that occurred in the Municipality after the reporting date but before the date the Annual Financial Statements were authorized for issue:

#### Non-Adjusting

##### Events:

Estimation of its financial effect or a statement that such an estimation cannot be made. The municipality is experiencing problems to uphold the consistent supply of water to its community because of faltering infrastructure. This may lead to further pressure on the municipality's cash flow position should it become necessary to allocate funds to urgent repair of water supply.

#### Adjusting events

1. The Municipality owed the creditor, Africoast Engineers a sum of R 292 460.15 for the services that it rendered for the council. Due to the cash flow problems/ crisis in the municipality, the said creditor could not be paid and on 25 July 2014, it attached the Mayoral vehicle (Toyota Fortuner bought for R332 916 in September 2013) and subsequently sold it through auction for R180 000 to recover some of the money that it is owed by the council. This is an adjusting event as it is indicative of the conditions that existed at the reporting date - the creditor was owed already at the reporting date.

This event therefore affects the Statement of Financial Position, non-current assets should be reduced by the said carrying amount of the vehicle sold and the vehicle be removed from the GRAP compliant asset register (Property Plant and Equipment).

The figure in the disclosure note for the contingent liabilities is also adjusted (reduced by the R180 000).

2. In August 2014, Municipality's primary bank account at First National Bank (FNB), was attached by the other creditor, WK construction, whom the municipality owed a sum of R1 178 724.69 Due to the same reasons, financial problems, this creditor could not be paid.

This event is an adjusting event as it provides evidence of the conditions that existed at the reporting date - the municipality had an obligation already at the reporting date.

This results in the adjustment of the current assets (cash and cash equivalent).

### 44. UNAUTHORISED EXPENDITURE

Opening balance	140 601 054	78 976 534
Unauthorised Expenditure current year	6 373 839	61 624 520
	<b>146 974 893</b>	<b>140 601 054</b>

### 45. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	174 406	-
Fruitless and Wasteful Expenditure current year	888 984	174 406
	<b>1 063 390</b>	<b>174 406</b>

These are as a results of interest paid on overdue payments which are not in compliance with MFMA s65(e) which states that all money owed by the municipality be paid within 30 days of receiving the relevant invoice or statement.

### 46. IRREGULAR EXPENDITURE

Opening balance	43 799 316	-
Add: Irregular Expenditure - current year	37 348 877	43 799 316
	<b>81 148 193</b>	<b>43 799 316</b>

### Analysis of expenditure awaiting condonation per age classification

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
<b>46. IRREGULAR EXPENDITURE (continued)</b>		
Details of irregular expenditure – current year		-
<b>47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>Contributions to organised local government</b>		
Current year subscription / fee	-	915 224
Amount paid - current year	-	(915 224)
	-	-
Balance Unpaid (included in Creditors)		
<b>Audit fees</b>		
Current year Audit fees	7 380 410	3 480 420
Amount paid - current year	-	(3 480 420)
	<b>7 380 410</b>	-
Balanced unpaid (included in Creditors). In terms of section 65 (e) and (f) of the MFMA the municipality must pay all money owing within 30days of receiving the relevant invoice or statement and also comply with all relevant Statutory commitments. It must further be noted that this balance is for Audits conducted for 2011/12 and 2012/13 audits.		
<b>PAYE and UIF</b>		
Current year Payroll deductions	14 752 998	13 060 104
Amount paid - current year	(10 261 255)	(13 060 104)
	<b>4 491 743</b>	-
Balance unpaid (included in Creditors). In terms of section 65 (e) and (f) of the MFMA the municipality must pay all money owing within 30days of receiving the relevant invoice or statement and also comply with all relevant Statutory commitments. It must further be noted that this balance is for PAYE due to SARS as from March 2014 to June 2014.		
<b>Pension and Medical Aid Deductions</b>		
Current year Payroll deductions and Council contributions	-	26 786 201
Amount paid - current year	-	(26 786 201)
	-	-
<b>VAT</b>		
VAT receivable	93 303	1 658 397
VAT payable	14 168 736	-
	<b>14 262 039</b>	<b>1 658 397</b>

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

All VAT returns have been submitted by the due date throughout the 2014. VAT is payable on receipts basis. Only when payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has a financial risk policies in place to ensure that payments are effected before due date, however S65(f) of MFMA was grossly contradicted.

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014 R	2013 R
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**47. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)**

**Councillors' arrear consumer accounts**

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

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Peter JZ	12	98	110
Councillor Plaatjie R	-	128	128
Councillor Masoma NC	-	224	224
Councillor May LC	-	2 363	2 363
Councillor Jackson BP	-	202	202
Councillor Louw E	-	4 713	4 713
	<b>12</b>	<b>7 728</b>	<b>7 740</b>

  

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Jackson BPM	806	1 769	2 575
Councillor Masoma NC (Ms)	-	2 490	2 490
Councillor May L (Ms)	1 417	15 667	17 084
Councillor Reynolds LM	4 098	209	4 307
Councillor Tame MS	1 108	2 040	3 148
	<b>7 429</b>	<b>22 175</b>	<b>29 604</b>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2014	Highest outstanding amount	Aging (in days)
Councillor Peter JZ	98	120
Councillor Plaatjie R	128	120
Councillor Masoma NC	224	120
Councillor May LC	2 363	120
Councillor Jackson BP	202	120
Councillor Louw E	4 713	120
	<b>7 728</b>	<b>720</b>

  

30 June 2013	Highest outstanding amount	Aging (in days)
Councillor Jackson BPN	1 769	90
Councillor Masoma NC (Ms)	2 490	90
Councillor May L (Ms)	15 667	90
Councillor Reynolds	209	90
Councillor Tame MS	6 136	90
	<b>26 271</b>	<b>450</b>

**Supply chain management regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

**Notes to the Financial Statements**

	2014	2013
	R	R

**48. OPERATING LEASE**

Municipality leased about 20 photocopier machines from Panasonic Business Systems Eastern Cape, NRG Office Solutions Pty Ltd and Konica Minolta, all starting in July and August 2013 respectively, all for the period of 36 months. No contingent rent payable and no lease renewal conditions in terms of the lease agreement.

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 49. CONTINGENCIES

#### Contingent liabilities

**Below is a list of possible liability claims where the outcome was unknown at 30 June 2014 with the maximum unforeseen asset for the Municipality:**

Urban dynamic EC Inc vs Makana Municipality: This is a claim with regard to the development of land use business plan non-payment, to the amount of R200 000 plus 15.5 % with effect from 28 June 2013 plus the suite costs. It is likely that municipality will pay

Africoast Engineering vs Makana Municipality: This is a claim with regard to the execution issued to the amount of R112 460.15 It is likely that municipality will pay

WK Construction v Makana Municipality: This is a claim with regards to the tender awarded of R56 million. It is likely that municipality will pay.

Brinkman Ndayi McALL vs Makana municipality: This is a claim with regards to summons issued for the professional services rendered to the amount of R662 169.38. The municipality is likely to pay.

Bafo / Daniel Zeelie vs Makana Municipality: This is a claim with regards to traffic matter.

Matthew Theijssen vs Makana Municipality: This is a claim with regards to the civil action, unlawful arrest (Bafo) to the amount of R500 000 including the legal costs.

Kabuso vs Makana Municipality: This is a claim with regards to the letter of demand due to non-payment by the municipality for the professional services rendered to the amount of R1 141 308 including legal costs. The municipality is likely to pay.

Mahambehlala vs Makana Municipality: This is a claim with regards to the letter of demand due to the non-payment of accrued leave pay of R 66 578. Settlement negotiations were recommended. Municipality is likely to pay.

Green Body Corporate vs Makana Municipality: This is a claim with regards to the damages to property done by the municipal truck BPX 663 EC to the amount R6209. It is likely that municipality will pay.

Hambaze vs Makana Municipality: This is a claim with regards to the motor that got damaged after colliding with pothole to the amount of R12 506.32. It is likely that the municipality will pay

Thembakazi Mpopu vs Makana: This is a claim with regards to the municipal truck that collided with her house to the amount of R212 262.00. Municipality is likely to pay.

Bonisile Jamela vs Makana: This is a claim with regards to municipal workers damaged wall of an applicant to the amount of R3 471.51.

Z Nontshinga vs Makana Municipality: This is a claim with regard to joining as a 3rd party in MVA claim of R294 500 including the legal costs. It is not possible yet to determine if the case is winnable or not.

Mthombo Resorts vs Makana Municipality: This is a claim relating to the breach of lease agreement – non-payment of rent. Negotiations relating to the matter are in progress.

Give Ziyawa vs Makana Municipality: This is a claim relating to the breach of contract to the amount of R280 000.

Aurecon SA vs Makana Municipality: This is a claim to the amount of R270 000 (Summons).

Ndunyana vs Makana Municipality: This is a claim with regards to the Egazini eviction to the amount of R39 196

Beer Properties vs Makana Municipality: This claim relates to the decision still to be made. At this stage there is only a potential risk of which the amount cannot be calculated due to the pending decision by the court.

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 49. CONTINGENCIES (continued)

Bates and Konstant vs Makana Municipality: This claim is with regard to the failure to empty conservation tank to the amount of R300 000. Negotiations in progress.

#### Contingent assets

##### Contractual disputes

Below is a list of possible asset claims where the outcome was unknown at 30 June 2014 with the maximum unforeseen asset for the Municipality:

Prudence Ruck v Makana Municipality: This is a claim for the applicant who moved an application to compel municipality to close road. It is likely that the municipality will win.

T Bulana v Makana Municipality: This is a claim with regards to the death of a cow in municipality's impound to the amount of R35 000. It is likely that municipality will win.

Ngcelwane v Makana Municipality: This is a claim relating to the labour matter – dismissal, to the value of R270 000 including the legal costs. It is likely that the municipality will win.

M Boma v Makana Municipality: This is a claim with regards to various charges of insubordination, theft, irregular expenditure to the value of R411 597 including legal costs. It is likely that the municipality will win.

Makana Municipality v Councillors: This is a claim relating to the money owed by 7 councillors for cell phone cost. It Costs to the value of R20 000 including legal costs. It is likely that the municipality will win

### 50. RELATED PARTIES

#### Relationships

Gojela M (Councillor)  
Khubalo MM (Councillor)  
Madinda MG (Councillor)  
Ngeleza TC (Councillor)  
Peter ZJ (Councillor)  
Plaatjie NR (Councillor)  
Ranchhod P (Councillor)

Director of Thinago General Trading  
Director of Rising Hope Worker  
Director of Lukhanyiso Poultry Products  
Member of Siz'Ukukhanya Bed and Breakfast  
Director of The Grahamstown Foundation  
Director of Ithemba Labafazi Investments  
100% ownership in Neelshai Properties, member of and 37% interest in Brill Properties, member and 25% interest in Dinran, member of and 11% interest in Central Plaxa (Pty) Ltd  
100% ownership in Imagine That CC, Member of and 25% Interest in The Wolery  
Member of Vendzo Engineering and Management, spouse (Mrs N Myalato), is a director of with 50% ownership in 2M Travel and Tours  
Director of LVN Management Consultant  
Director of Onojawolo Trading  
Brother is the Director of Umiselo Forefront  
Member of Ikwezi Tours  
Member of 26 Market Street

Wells JC (Councillor)

Myalato ET (Director)

Planga MC (Director)  
Kona S (Manager)  
Lazarus SA (Manager)  
Sizani L (Manager)  
Welkom W (Manager)

### 51. PRIOR PERIOD ERRORS

Property, Plant and Equipment were depreciated at the tax rates. The useful lives and residual values were not appropriately considered. (Give the nature of the error.)

The correction of the error(s) results in adjustments as follows:

#### Statement of financial position

Property, plant and equipment	(353 992 472)	-
Investment Property	(30 825 719)	-
Intangibles	(56 643)	-

**Makana Municipality**  
Financial Statements for the year ended 30 June 2014

## Notes to the Financial Statements

	2014 R	2013 R
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### 52. BULK ELECTRICITY WATER LOSS

<b>Electricity:</b>	<b>Purchased during the year</b>	<b>Sold during the year</b>	<b>Unaccounted for</b>
units (kWh)	130 373 620	(90 699 405)	39 674 215
<b>Calculated as follows:</b>	<b>%</b>	<b>Distribution</b>	<b>Value</b>
Bulk	98,40 %	64 668 146	40 412 664

Electricity losses occur due to inter alia, the tampering of meters, the incorrect ratios used on the bulk meter, fault meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meter and illegal connections is an ongoing process, with regular action being taken against defaulters.

Unaccounted water losses	<b>Lost units</b> 231 398	<b>Cost per KL</b> 0,14	<b>Value</b> 31 922
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Water losses occur due to inter alia, leakages, the tampering of meters, faulty meters and illegal water connections. The municipality is currently busy with an audit of meters to find faulty meters and repair them. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters.

### 53. EVENTS AFTER THE REPORTING DATE

The following are the events that occurred in the Municipality after the reporting date but before the date the Annual Financial Statements were authorized for issue:

#### Adjusting events 1

The Municipality owed the creditor, Africoast Engineers a sum of R 292 460.15 for the services that it rendered for the council. Due to the cash flow problems/ crisis in the municipality, the said creditor could not be paid and on 25 July 2014, it attached the Mayoral vehicle (Toyota Fortuner bought for R332 916 in September 2013) and subsequently sold it through auction for R180 000 to recover some of the money that it is owed by the council.

This is an adjusting event as it is indicative of the conditions that existed at the reporting date - the creditor was owed already at the reporting date.

This event therefore affects the Statement of Financial Position, non-current assets should be reduced by the said carrying amount of the vehicle sold and the vehicle be removed from the GRAP compliant asset register (Property Plant and Equipment).

The figure in the disclosure note for the contingent liabilities is also adjusted (reduced by the R180 000).

#### Adjusting events 2

In August 2014, Municipality's primary bank account at First National Bank (FNB), was attached by the other creditor, WK construction, whom the municipality owed a sum of R1 178 724.69. Due to the same reasons, financial problems, this creditor could not be paid.

This event is an adjusting event as it provides evidence of the conditions that existed at the reporting date - the municipality had an obligation already at the reporting date.

This results in the adjustment of the current assets (cash and cash equivalent).

**Makana Municipality  
Appendix A**

**Schedule of external loans as at 30 June 2014**

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
<b>Loan Stock</b>							
<b>Structured loans</b>							
<b>Funding facility</b>							
<b>Development Bank of South Africa</b>							
Product 61001005	2031/06/30	23 356 742	11 988 577	-	35 345 319	-	-
Product 61006863	2031/06/30	-	20 000 000	935 548	19 064 452	-	-
		<b>23 356 742</b>	<b>31 988 577</b>	<b>935 548</b>	<b>54 409 771</b>	-	-
<b>Bonds</b>							
<b>Other loans</b>							
<b>Lease liability</b>							
Konika Minolta	Various	267 513	-	267 513	-	-	-
Panasonic	Various	15 522	-	15 522	-	-	-
		<b>283 035</b>	<b>-</b>	<b>283 035</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Annuity loans</b>							
<b>Government loans</b>							
<b>Total external loans</b>							
Development Bank of South Africa		23 356 742	31 988 577	935 548	54 409 771	-	-
Lease liability		283 035	-	283 035	-	-	-
		<b>23 639 777</b>	<b>31 988 577</b>	<b>1 218 583</b>	<b>54 409 771</b>	<b>-</b>	<b>-</b>

**Makana Municipality**  
**Makana Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	319 236 991	-	(35 304 340)	-	-	(174 385 410)	109 547 241	-	-	-	-	-	-	109 547 241
Buildings (Separate for AFS purposes)	361 128 790	80 717	(59 817 990)	-	-	(213 334 200)	88 057 347	(47 618 214)	-	33 727 138	(3 611 156)	-	(47 502 232)	70 555 115
	<b>680 365 781</b>	<b>80 717</b>	<b>(95 122 300)</b>	<b>-</b>	<b>-</b>	<b>(387 719 610)</b>	<b>197 604 588</b>	<b>(47 618 214)</b>	<b>-</b>	<b>33 727 138</b>	<b>(3 611 156)</b>	<b>-</b>	<b>(17 502 232)</b>	<b>180 102 356</b>
<b>Infrastructure</b>														
Roads, Pavements & Bridges	261 385 439	-	7 282 097	-	-	-	268 667 536	(47 309 071)	-	-	(10 998 429)	-	(58 307 500)	210 360 036
Sanitation	1 829 490	-	778 281	-	-	-	2 607 771	(304 949)	-	-	(77 268)	-	(382 217)	2 225 554
Water Supply and Retreatment	109 982 524	439 742	32 405 158	-	-	-	142 827 424	(19 256 294)	-	-	(4 716 324)	-	(23 972 618)	118 854 806
Sewerage and Retreatment	117 955 390	22 895	6 494 190	-	-	-	124 473 465	(18 131 823)	-	-	(4 345 694)	-	(22 477 517)	101 965 948
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	3 954 300	-	-	-	-	-	3 954 300	(993 655)	-	-	(248 414)	-	(1 242 070)	2 712 430
Electricity	156 737 191	-	184 385	-	-	-	156 921 576	(26 598 676)	-	-	(7 044 493)	-	(33 743 169)	123 178 407
	<b>551 845 534</b>	<b>462 627</b>	<b>47 144 111</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>699 452 272</b>	<b>(112 694 469)</b>	<b>-</b>	<b>-</b>	<b>(27 430 622)</b>	<b>-</b>	<b>(140 125 091)</b>	<b>559 327 181</b>
<b>Community Assets</b>														
Park and Recreational facilities	39 824 098	386 582	-	-	-	385 963	40 596 643	(5 605 729)	-	-	(1 410 752)	-	(7 016 481)	33 580 162
Cemeteries	9 697 189	-	-	-	-	-	9 697 189	(1 904 412)	-	-	(472 727)	-	(2 377 139)	7 320 050
	<b>49 521 287</b>	<b>386 582</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>385 963</b>	<b>50 293 832</b>	<b>(7 510 141)</b>	<b>-</b>	<b>-</b>	<b>(1 883 479)</b>	<b>-</b>	<b>(9 393 620)</b>	<b>40 900 212</b>

**Makana Municipality**  
**Makana Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Conservation area historical and Memorial sites	20 468 850	3 161 400	-	-	-	-	23 630 250	-	-	-	-	-	-	23 630 250
	5 300 799	-	-	-	-	-	5 300 799	-	-	-	-	-	-	5 300 799
	<b>25 769 649</b>	<b>3 161 400</b>	-	-	-	-	<b>28 931 049</b>	-	-	-	-	-	-	<b>28 931 049</b>
<b>Specialised vehicles</b>														
Emergency Vehicle	4 346 594	-	-	-	-	-	4 346 594	(1 231 698)	-	-	(252 051)	-	(1 483 747)	2 862 847
Specialised Vehicles	7 004 241	-	-	-	-	-	7 004 241	(542 540)	-	-	(373 560)	-	(1 216 100)	5 788 141
	<b>11 350 835</b>	-	-	-	-	-	<b>11 350 835</b>	<b>(2 074 238)</b>	-	-	<b>(625 611)</b>	-	<b>(2 699 847)</b>	<b>8 650 988</b>
<b>Other assets</b>														
General vehicles	19 042 812	248 060	-	-	-	-	19 290 872	(6 527 044)	-	-	(1 388 879)	-	(7 915 923)	11 374 949
Plant & equipment	6 206 502	72 728	-	-	-	-	6 279 230	(1 559 497)	-	-	(300 487)	-	(1 859 984)	4 419 645
Computer Equipment	3 587 860	67 145	-	-	-	-	3 655 005	(1 333 475)	-	-	(717 101)	-	(2 060 576)	1 604 529
Furniture & Fittings	3 547 608	-	-	-	-	-	3 547 608	(1 622 211)	-	-	(509 068)	-	(2 131 279)	1 416 329
Office Equipment	3 156 383	134 137	-	-	-	-	3 290 520	(2 648 985)	-	-	(107 825)	-	(2 756 810)	533 710
Emergency rescue equipment	209 685	-	-	-	-	-	209 685	(58 046)	-	-	(29 934)	-	(117 960)	91 705
	<b>35 751 360</b>	<b>522 070</b>	-	-	-	-	<b>36 273 420</b>	<b>(13 775 258)</b>	-	-	<b>(3 083 294)</b>	-	<b>(16 832 552)</b>	<b>19 440 868</b>

**Makana Municipality**  
**Makana Municipality**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2014**  
**Cost/Revaluation**  
**Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying Value Rand
<b>Total property plant and equipment</b>														
Land and buildings	680 365 781	80 717	(95 122 300)	-	-	(387 719 610)	197 604 588	(47 618 214)	-	33 727 138	(3 611 156)	-	(17 502 232)	180 102 356
Infrastructure	651 845 534	462 627	47 144 111	-	-	-	699 452 272	(112 864 469)	-	-	(27 430 622)	-	(140 125 091)	559 327 181
Community Assets	49 521 287	386 582	-	-	-	386 563	50 293 832	(7 510 141)	-	-	(1 893 479)	-	(9 393 620)	40 900 212
Heritage assets	25 769 649	3 161 400	-	-	-	-	28 931 049	(2 074 236)	-	-	-	-	-	28 931 049
Specialised vehicles	11 350 835	-	-	-	-	-	11 350 835	(2 074 236)	-	-	(625 611)	-	(2 699 847)	8 650 988
Other assets	35 751 350	522 070	-	-	-	-	36 273 420	(13 779 258)	-	-	(3 053 294)	-	(16 832 552)	19 440 968
<b>1 454 604 436</b>	<b>4 613 396</b>	<b>(47 978 189)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(387 333 647)</b>	<b>1 023 905 996</b>	<b>(183 676 318)</b>	<b>-</b>	<b>33 727 138</b>	<b>(35 604 162)</b>	<b>-</b>	<b>(186 553 342)</b>	<b>837 352 654</b>
<b>Agricultural/Biological assets</b>														
<b>Intangible assets</b>														
Computers - software & programming	506 827	631 054	-	-	-	-	1 137 881	(58 911)	-	-	(130 664)	-	(189 575)	948 306
<b>506 827</b>	<b>631 054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 137 881</b>	<b>(58 911)</b>	<b>-</b>	<b>-</b>	<b>(130 664)</b>	<b>-</b>	<b>(189 575)</b>	<b>948 306</b>
<b>Investment properties</b>														
Investment Property Building	19 063 031	-	-	-	5 245 000	(4 567 540)	19 760 491	(1 578 201)	-	-	1 578 201	-	-	19 760 491
Land	209 377 320	-	-	-	-	(27 836 380)	181 540 940	-	-	-	-	-	-	181 540 940
<b>228 460 351</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 245 000</b>	<b>(32 403 920)</b>	<b>201 301 431</b>	<b>(1 578 201)</b>	<b>-</b>	<b>-</b>	<b>1 578 201</b>	<b>-</b>	<b>-</b>	<b>201 301 431</b>
<b>Total</b>														
Land and buildings	680 365 781	80 717	(95 122 300)	-	-	(387 719 610)	197 604 588	(47 618 214)	-	33 727 138	(3 611 156)	-	(17 502 232)	180 102 356
Infrastructure	651 845 534	462 627	47 144 111	-	-	-	699 452 272	(112 864 469)	-	-	(27 430 622)	-	(140 125 091)	559 327 181
Community Assets	49 521 287	386 582	-	-	-	386 563	50 293 832	(7 510 141)	-	-	(1 893 479)	-	(9 393 620)	40 900 212
Heritage assets	25 769 649	3 161 400	-	-	-	-	28 931 049	(2 074 236)	-	-	-	-	-	28 931 049
Specialised vehicles	11 350 835	-	-	-	-	-	11 350 835	(2 074 236)	-	-	(625 611)	-	(2 699 847)	8 650 988
Other assets	35 751 350	522 070	-	-	-	-	36 273 420	(13 779 258)	-	-	(3 053 294)	-	(16 832 552)	19 440 968
Intangible assets	506 827	631 054	-	-	-	-	1 137 881	(58 911)	-	-	(130 664)	-	(189 575)	948 306
Investment properties	228 460 351	-	-	-	5 245 000	(32 403 920)	201 301 431	(1 578 201)	-	-	1 578 201	-	-	201 301 431
<b>1 683 571 514</b>	<b>5 244 450</b>	<b>(47 978 189)</b>	<b>-</b>	<b>-</b>	<b>5 245 000</b>	<b>(419 737 567)</b>	<b>1 226 345 308</b>	<b>(185 313 430)</b>	<b>-</b>	<b>33 727 138</b>	<b>(35 156 625)</b>	<b>-</b>	<b>(186 742 917)</b>	<b>1 039 602 391</b>

**Makana Municipality  
Appendix C**

**Segmental analysis of property, plant and equipment as at 30 June 2014  
Cost/Revaluation Accumulated Depreciation**

	Opening Balance		Additions		Disposals		Transfers		Revaluations		Other changes, movements		Closing Balance		Opening Balance		Disposals		Transfers		Depreciation		Impairment deficit		Closing Balance		Carrying value	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality																												
Executive & Council/Mayor and Council	1 226 674	-	-	-	-	-	-	-	-	-	-	-	1 226 674	(303 324)	-	-	-	-	-	-	-	(25 000)	-	-	-	(328 324)	898 350	
Finance & Admin/Finance	941 944 553	602 787	-	-	-	(127 526 220)	-	-	-	-	-	(382 474 610)	432 546 510	(52 789 450)	-	-	-	-	-	-	-	31 694 183	-	-	(21 095 267)	411 451 243		
Planning and Development/Economic Development/Plan	701 084	-	-	-	-	-	-	-	-	-	-	-	701 084	(195 407)	-	-	-	-	-	-	-	(130 684)	-	-	-	(326 071)	375 013	
Health/Clinics	1 093 927	-	-	-	-	-	-	-	-	-	-	-	1 093 927	(287 995)	-	-	-	-	-	-	-	-	-	-	-	(287 995)	795 932	
Comm. & Social/Libraries and archives	10 750 182	631 054	-	-	-	-	365 963	-	-	-	-	-	11 787 199	(2 361 079)	-	-	-	-	-	-	(1 883 479)	-	-	-	(4 244 558)	7 522 541		
Housing	59 196	-	-	-	-	-	-	-	-	-	-	-	89 196	(34 259)	-	-	-	-	-	-	-	-	-	-	-	(34 259)	24 937	
Public Safety/Police	8 413 598	-	-	-	-	-	-	-	-	-	-	-	8 413 598	(2 522 810)	-	-	-	-	-	-	(600 611)	-	-	-	(3 123 421)	5 290 177		
Sport and Recreation	44 045 863	3 547 982	-	-	-	-	-	-	-	-	-	-	47 593 635	(7 534 728)	-	-	-	-	-	-	(11 075 697)	-	-	-	(18 610 425)	28 983 210		
Environmental Protection/Pollution Control	75 765	-	-	-	-	-	-	-	-	-	-	-	75 765	(31 801)	-	-	-	-	-	-	-	-	-	-	-	(31 801)	43 964	
Waste Water Management/Sewerage	128 595 205	462 627	-	-	-	-	32 405 158	-	-	-	-	-	161 462 990	(20 463 712)	-	-	-	-	-	-	(4 716 324)	-	-	-	(25 180 036)	136 282 954		
Road Transport/Roads	269 645 526	-	-	-	-	-	8 050 378	-	-	-	-	-	277 705 904	(49 819 916)	-	-	-	-	-	-	(4 594 108)	-	-	-	(54 414 024)	223 291 880		
Water/Water Distribution	112 781 440	-	-	-	-	-	6 494 190	-	-	-	-	-	119 275 630	(19 895 522)	-	-	-	-	-	-	(3 053 294)	-	-	-	(22 948 816)	96 326 814		
Electricity/Electricity Distribution	160 294 311	-	-	-	-	-	184 385	-	-	-	-	-	160 478 686	(28 079 772)	-	-	-	-	-	-	(7 044 493)	-	-	-	(35 124 265)	125 354 431		
Other/Air Transport	3 954 500	-	-	-	-	-	-	-	-	-	-	-	3 954 600	(993 656)	-	-	-	-	-	-	-	-	-	-	-	(993 656)	2 960 844	
Total	1 683 571 614	5 244 450	47 530 074	(127 526 220)	-	-	-	(382 474 610)	1 226 345 308	(185 313 431)	-	-	1 226 345 308	(1 429 487)	-	-	-	-	-	-	(1 429 487)	-	-	-	(186 742 918)	1 039 602 390		
Municipality																												
Executive & Council/Mayor and Council	1 583 571 614	5 244 450	47 530 074	(127 526 220)	-	-	-	(382 474 610)	1 226 345 308	(185 313 431)	-	-	1 226 345 308	(1 429 487)	-	-	-	-	-	-	(1 429 487)	-	-	-	(186 742 918)	1 039 602 390		
Total	1 583 571 614	5 244 450	47 530 074	(127 526 220)	-	-	-	(382 474 610)	1 226 345 308	(185 313 431)	-	-	1 226 345 308	(1 429 487)	-	-	-	-	-	-	(1 429 487)	-	-	-	(186 742 918)	1 039 602 390		

**Makana Municipality**  
**Appendix D**

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>		<b>Actual Income Rand</b>	<b>Actual Expenditure Rand</b>	<b>Surplus /(Deficit) Rand</b>
<b>Municipality</b>						
5 518 952	24 621 552	(19 102 600)	Executive & Council/Mayor and Council	4 379 735	32 724 247	(28 344 512)
56 819 677	70 202 869	(13 383 192)	Finance & Admin/Finance	81 166 532	81 794 017	(627 485)
1 991 596	12 130 174	(10 138 578)	Planning and Development/Economic Development/Plan	366 576	9 705 290	(9 338 714)
4 795 158	8 514 642	(3 719 484)	Health/Clinics	1 793 482	2 195 495	(402 013)
471 967	4 821 159	(4 349 192)	Comm. & Social/Libraries and archives	615 123	8 214 078	(7 598 955)
197	24 855	(24 658)	Housing	-	51 213	(51 213)
1 051 284	14 437 046	(13 385 762)	Public Safety/Police	849 475	13 185 390	(12 335 915)
21 726 092	3 809 512	17 916 580	Sport and Recreation	4 454 211	7 443 588	(2 989 377)
512 207	3 423 013	(2 910 806)	Environmental Protection/Pollution Control	21 538	3 052 012	(3 030 474)
66 665 605	35 573 846	31 091 759	Waste Water Management/Sewerage	50 727 528	38 304 616	12 422 912
13 162 547	17 943 824	(4 781 277)	Road Transport/Roads	8 104 398	13 553 205	(5 448 807)
74 987 011	59 351 402	15 635 609	Water/Water Distribution	84 909 927	53 232 720	31 677 207
108 610 816	95 636 286	12 974 530	Electricity /Electricity Distribution	123 379 200	88 227 243	35 151 957
472	266 516	(266 044)	Other/Air Transport	-	-	-
<b>356 313 581</b>	<b>350 756 696</b>	<b>5 556 885</b>		<b>360 767 725</b>	<b>351 683 114</b>	<b>9 084 611</b>
<b>Municipal Owned Entities</b>						
<b>Other charges</b>						
356 313 581	350 756 696	5 556 885	Municipality	360 767 725	351 683 114	9 084 611
<b>356 313 581</b>	<b>350 756 696</b>	<b>5 556 885</b>	<b>Total</b>	<b>360 767 725</b>	<b>351 683 114</b>	<b>9 084 611</b>

**Makana Municipality**  
**Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014**

	Current year 2013 Act. Bal.	Current year 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
<b>Revenue</b>					
Service charges	161 564 118	181 272 150	(19 708 032)	(10,9)	
Rental of facilities and equipment	789 348	1 446 569	(657 221)	(45,4)	Lack of affordability and cheaper options
Interest received (trading)	10 835 646	9 000 000	1 835 646	20,4	Payment of interest attached to their accounts than expected
Income from agency services	877 055	1 273 460	(396 405)	(31,1)	Insufficient collection than budgeted for from agencies
Licences and permits	2 596 574	2 266 587	329 987	14,6	Payment more than expected to be received
Other income - (rollup)	2 062 879	133 838 273	(131 775 394)	(98,5)	Lack of resources available to enforce budget
Interest received - investment	385 120	5 000 000	(4 614 880)	(92,3)	The investment account was withdrawn, decreasing interest income
	179 110 740	334 097 039	(154 986 299)	(46,4)	
<b>Expenses</b>					
Personnel	(124 835 864)	(119 254 371)	(5 581 493)	4,7	
Remuneration of councillors	(8 336 734)	(8 353 881)	17 147	(0,2)	
Depreciation	36 729 303	(5 804 364)	42 533 667	(732,8)	Underbudgeting
Impairments	(22 509 630)	(1 500 000)	(21 009 630)	400,6	Not budgeted for properly
Finance costs	(6 337 044)	-	(6 337 044)	-	
Repairs and maintenance - General	(12 735 117)	(19 348 330)	6 613 213	(34,2)	concentration of essential maintenance as a result of cost containment measures
Bulk purchases	(67 096 415)	(73 745 078)	6 648 663	(9,0)	Increase in demand
Contracted Services	(6 469 477)	(7 737 223)	1 267 746	(16,4)	Over-budgeting
Grants and subsidies paid	(22 093 275)	(24 635 933)	2 542 658	(10,3)	
General Expenses	(117 594 229)	(60 019 450)	(57 574 779)	95,9	Over-budgeting
	(351 278 482)	(320 398 630)	(30 879 852)	9,6	
<b>Other revenue and costs</b>					
Gain or loss on disposal of assets and liabilities	-	-	-	-	
Fair value adjustments	5 245 900	-	5 245 900	-	
	5 245 900	-	5 245 900	-	
<b>Net surplus/ (deficit) for the year</b>	(166 921 842)	13 698 409	(180 620 251)	318,5	

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure						Grants and Subsidies delayed / withheld						Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun				
FMG	NT	-	1 550	-	-	-	-	121	748	68	302	-	-	-	-	-	Yes	N/A		
NDPG	NT	-	5 841	-	-	-	-	3 950	1 056	836	-	-	-	-	-	-	Yes	N/A		
MIG	MIG	-	17 467	-	-	10 531	-	665	4 085	4 072	12 102	-	-	-	-	-	Yes	N/A		
MSIG	NT	-	890	-	-	-	-	14	701	6	216	-	-	-	-	-	Yes	N/A		
EPWP	NT	-	400	300	300	-	-	195	143	523	517	-	-	-	-	-	Yes	N/A		
Disaster	NT	-	-	-	8 724	-	-	-	-	2 785	-	-	-	-	-	-	Yes	N/A		
		-	26 148	300	9 024	10 531	-	4 945	6 733	8 290	13 137	-	-	-	-	-				

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

# Makana Municipality

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2014

2014/2013

2013/2012

Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.t.o. MFMA)		Virement (i.t.o. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
95 935 952	-	-	95 935 952	-	-	-	-	-	-	95 935 952	65 546 270	(30 389 682)	68 %	68 %	68 %	68 %	68 %	68 %	68 %	68 %	68 %	68 %	68 %	68 %	68 %	68 %	61 608 385
5 669 485	-	-	5 669 485	-	-	-	-	-	-	5 669 485	4 379 739	(1 289 746)	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	5 394 415
86 579 359	-	-	86 579 359	-	-	-	-	-	-	86 579 359	52 570 481	(34 008 878)	61 %	61 %	61 %	61 %	61 %	61 %	61 %	61 %	61 %	61 %	61 %	61 %	61 %	61 %	55 666 351
3 687 108	-	-	3 687 108	-	-	-	-	-	-	3 687 108	8 595 050	4 908 942	233 %	233 %	233 %	233 %	233 %	233 %	233 %	233 %	233 %	233 %	233 %	233 %	233 %	233 %	547 619
6 642 887	-	-	6 642 887	-	-	-	-	-	-	6 642 887	3 712 290	(2 930 597)	56 %	56 %	56 %	56 %	56 %	56 %	56 %	56 %	56 %	56 %	56 %	56 %	56 %	56 %	9 234 076
4 187 427	-	-	4 187 427	-	-	-	-	-	-	4 187 427	615 123	(3 572 304)	15 %	15 %	15 %	15 %	15 %	15 %	15 %	15 %	15 %	15 %	15 %	15 %	15 %	15 %	3 573 252
10 500	-	-	10 500	-	-	-	-	-	-	10 500	454 211	(9 045 789)	4 326 %	4 326 %	4 326 %	4 326 %	4 326 %	4 326 %	4 326 %	4 326 %	4 326 %	4 326 %	4 326 %	4 326 %	4 326 %	120 996	
1 104 205	-	-	1 104 205	-	-	-	-	-	-	1 104 205	849 474	(254 731)	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	3 308 392
1 340 755	-	-	1 340 755	-	-	-	-	-	-	1 340 755	1 793 482	452 727	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	DIV/0 %	914 592
9 334 278	(5 338 970)	-	3 995 308	-	-	-	-	-	-	3 995 308	4 492 511	497 203	112 %	112 %	112 %	112 %	112 %	112 %	112 %	112 %	112 %	112 %	112 %	112 %	112 %	112 %	1 316 844
5 728 970	(5 338 970)	-	390 000	-	-	-	-	-	-	390 000	366 575	(23 425)	94 %	94 %	94 %	94 %	94 %	94 %	94 %	94 %	94 %	94 %	94 %	94 %	94 %	94 %	1 578 273
3 585 308	-	-	3 585 308	-	-	-	-	-	-	3 585 308	4 104 398	519 090	114 %	114 %	114 %	114 %	114 %	114 %	114 %	114 %	114 %	114 %	114 %	114 %	114 %	114 %	11 460 430
20 000	-	-	20 000	-	-	-	-	-	-	20 000	21 538	1 538	108 %	108 %	108 %	108 %	108 %	108 %	108 %	108 %	108 %	108 %	108 %	108 %	108 %	108 %	21 538
277 445 458	24 205 237	-	301 650 695	-	-	-	-	-	-	301 650 695	246 580 498	(55 070 197)	82 %	82 %	82 %	82 %	82 %	82 %	82 %	82 %	82 %	82 %	82 %	82 %	82 %	82 %	250 339 488
131 223 458	(3 122 346)	-	128 101 112	-	-	-	-	-	-	128 101 112	117 379 200	(10 721 912)	92 %	92 %	92 %	92 %	92 %	92 %	92 %	92 %	92 %	92 %	92 %	92 %	92 %	92 %	108 731 588
83 502 873	23 292 287	-	106 795 160	-	-	-	-	-	-	106 795 160	81 908 927	(24 885 233)	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	77 %	74 951 902
37 880 630	3 738 063	-	41 118 693	-	-	-	-	-	-	41 118 693	21 854 538	(19 264 155)	53 %	53 %	53 %	53 %	53 %	53 %	53 %	53 %	53 %	53 %	53 %	53 %	53 %	53 %	46 240 390
25 338 497	297 233	-	25 635 730	-	-	-	-	-	-	25 635 730	25 436 833	(198 897)	99 %	99 %	99 %	99 %	99 %	99 %	99 %	99 %	99 %	99 %	99 %	99 %	99 %	99 %	20 405 608
10 000	-	-	10 000	-	-	-	-	-	-	10 000	-	(10 000)	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	-
10 000	-	-	10 000	-	-	-	-	-	-	10 000	-	(10 000)	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %	22 093 030
389 368 575	18 866 267	-	408 234 842	-	-	-	-	-	-	408 234 842	320 331 569	(87 903 273)	78 %	78 %	78 %	78 %	78 %	78 %	78 %	78 %	78 %	78 %	78 %	78 %	78 %	78 %	356 313 682
Total Revenue - Standard																											

# Makana Municipality

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2014

	2014/2013										2013/2012																			
	Original Budget		Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.t.o. s31 of the MFMA)		Virement (i.t.o. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments Budget		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Expenditure - Standard																														
Governance and administration																														
Executive and council	97 174 136	(8 232 688)			88 941 447	-	-	-	-	-	88 941 447	105 120 601	-	16 179 154	118 %	108 %	-	-	-	-	-	-	-	-	-	-	-	-	140 722 604	
Budget and treasury office	25 721 884	-			25 721 884	-	-	-	-	-	25 721 884	32 724 247	-	7 002 363	127 %	127 %	-	-	-	-	-	-	-	-	-	-	-	-	30 837 477	
Corporate services	32 008 464	(8 232 688)			23 775 776	-	-	-	-	-	23 775 776	37 002 871	-	13 227 095	156 %	116 %	-	-	-	-	-	-	-	-	-	-	-	-	22 788 571	
Community and public safety	39 443 787	-			39 443 787	-	-	-	-	-	39 443 787	35 393 483	-	(4 050 304)	90 %	90 %	-	-	-	-	-	-	-	-	-	-	-	-	87 095 455	
Community and social services	34 271 786	-			34 271 786	-	-	-	-	-	34 271 786	40 487 427	-	6 215 641	118 %	118 %	-	-	-	-	-	-	-	-	-	-	-	-	33 755 359	
Sport and recreation	14 677 951	-			14 677 951	-	-	-	-	-	14 677 951	8 214 078	-	(6 463 873)	56 %	56 %	-	-	-	-	-	-	-	-	-	-	-	-	9 960 272	
Public safety	2 300 380	-			2 300 380	-	-	-	-	-	2 300 380	13 841 251	-	11 540 871	602 %	602 %	-	-	-	-	-	-	-	-	-	-	-	-	2 284 410	
Housing	15 094 398	-			15 094 398	-	-	-	-	-	15 094 398	16 185 390	-	1 090 992	107 %	107 %	-	-	-	-	-	-	-	-	-	-	-	-	18 493 462	
Health	48 304	-			48 304	-	-	-	-	-	48 304	51 213	-	2 909	105 %	105 %	-	-	-	-	-	-	-	-	-	-	-	-	-	
Economic and environmental services	2 150 753	-			2 150 753	-	-	-	-	-	2 150 753	2 195 495	-	44 742	102 %	102 %	-	-	-	-	-	-	-	-	-	-	-	-	2 018 255	
Planning and development	32 966 096	-			32 966 096	-	-	-	-	-	32 966 096	26 310 507	-	(6 655 589)	80 %	80 %	-	-	-	-	-	-	-	-	-	-	-	-	24 602 736	
Road transport	18 205 940	-			18 205 940	-	-	-	-	-	18 205 940	9 705 290	-	(8 500 650)	53 %	53 %	-	-	-	-	-	-	-	-	-	-	-	-	11 525 953	
Environmental protection	10 632 510	-			10 632 510	-	-	-	-	-	10 632 510	13 953 205	-	2 920 695	127 %	127 %	-	-	-	-	-	-	-	-	-	-	-	-	10 863 973	
Trading services	4 127 646	-			4 127 646	-	-	-	-	-	4 127 646	3 052 012	-	(1 075 634)	74 %	74 %	-	-	-	-	-	-	-	-	-	-	-	-	2 192 810	
Electricity	179 984 122	(16 012 401)			163 971 721	-	-	-	-	-	163 971 721	179 764 579	-	15 792 858	110 %	100 %	-	-	-	-	-	-	-	-	-	-	-	-	145 558 874	
Water	96 236 100	(14 962 501)			81 273 599	-	-	-	-	-	81 273 599	88 227 243	-	6 953 644	109 %	92 %	-	-	-	-	-	-	-	-	-	-	-	-	65 936 628	
Waste water management	44 564 506	-			44 564 506	-	-	-	-	-	44 564 506	53 232 720	-	8 668 214	119 %	119 %	-	-	-	-	-	-	-	-	-	-	-	-	54 049 670	
Waste management	21 794 685	-			21 794 685	-	-	-	-	-	21 794 685	19 536 465	-	(2 258 220)	90 %	90 %	-	-	-	-	-	-	-	-	-	-	-	-	20 679 811	
Other	17 368 831	(1 049 900)			16 318 931	-	-	-	-	-	16 318 931	18 768 151	-	2 429 220	115 %	108 %	-	-	-	-	-	-	-	-	-	-	-	-	4 892 465	
Other	247 580	-			247 580	-	-	-	-	-	247 580	-	-	(247 580)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 416 081	
Total Expenditure - Standard	344 643 719	(24 245 089)			320 398 630	-	-	-	-	-	320 398 630	351 683 114	-	31 284 484	110 %	102 %	-	-	-	-	-	-	-	-	-	-	-	-	348 056 694	
Surplus/(Deficit) for the year	44 724 856	43 111 356			87 836 212	-	-	-	-	-	87 836 212	(31 351 545)		(119 187 757)	(36)%	(70)%													8 256 988	

# Makana Municipality

## Appendix G2

### Budgeted Financial Performance (revenue and expenditure by municipal vote) for the year ended 30 June 2014

2014/2013

2013/2012

	Original Budget			Budget Adjustments (i.t.o. s28 and s31 of the MFMA)			Final adjustments budget			Shifting of funds (i.t.o. s31 of the MFMA)			Virement (i.t.o. Council approved policy)			Final Budget			Actual Outcome			Unauthorised expenditure			Variance of Actual Outcome against Budget Adjustments			Actual Outcome as % of Final Budget			Actual Outcome as % of Original Budget			Reported unauthorised expenditure			Expenditure authorised in terms of section 32 of MFMA			Balance to be recovered			Restated Audited Outcome							
	Rand			Rand			Rand			Rand			Rand			Rand			Rand			Rand			Rand			Rand			Rand			Rand			Rand			Rand			Rand							
Revenue by Vote																																																		
Technical & Infrastructure	40 363 792	-	-	-	-	-	40 363 792	-	-	-	-	-	-	-	-	40 363 792	-	-	34 227 368	-	-	-	-	-	(6 136 424)	-	-	85 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Corporate Services	6 125 340	-	-	-	-	-	6 125 340	-	-	-	-	-	-	-	-	6 125 340	-	-	3 954 675	-	-	-	-	-	(2 160 665)	-	-	65 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Financial Services	86 579 365	-	-	-	-	-	86 579 365	-	-	-	-	-	-	-	-	86 579 365	-	-	61 260 544	-	-	-	-	-	(25 318 721)	-	-	71 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Community & Social Services	35 517 582	-	-	-	-	-	35 517 582	-	-	-	-	-	-	-	-	35 517 582	-	-	28 694 529	-	-	-	-	-	(6 822 953)	-	-	81 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Executive Mayor	3 602 010	-	-	-	-	-	3 602 010	-	-	-	-	-	-	-	-	3 602 010	-	-	2 426 788	-	-	-	-	-	(1 175 222)	-	-	67 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Municipal Manager	2 452 806	-	-	-	-	-	2 452 806	-	-	-	-	-	-	-	-	2 452 806	-	-	1 904 495	-	-	-	-	-	(548 311)	-	-	78 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Electricity	131 223 480	-	-	-	-	-	131 223 480	-	-	-	-	-	-	-	-	131 223 480	-	-	102 943 043	-	-	-	-	-	(28 280 417)	-	-	78 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Water	83 502 870	-	-	-	-	-	83 502 870	-	-	-	-	-	-	-	-	83 502 870	-	-	84 909 927	-	-	-	-	-	1 407 057	-	-	102 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Dog tax	1 350	-	-	-	-	-	1 350	-	-	-	-	-	-	-	-	1 350	-	-	-	-	-	-	-	-	(1 350)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Revenue by Vote	389 368 575	-	-	-	-	-	389 368 575	-	-	-	-	-	-	-	-	389 368 575	-	-	320 331 569	-	-	-	-	-	(69 037 006)	-	-	82 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Expenditure by Vote to be appropriated																																																		
Technical & Infrastructure	52 226 715	-	-	-	-	-	52 226 715	-	-	-	-	-	-	-	-	52 226 715	-	-	45 889 751	-	-	-	-	-	(6 336 964)	-	-	88 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Services	22 525 083	-	-	-	-	-	22 525 083	-	-	-	-	-	-	-	-	22 525 083	-	-	28 670 848	-	-	-	-	-	6 145 765	-	-	127 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Services	32 008 465	-	-	-	-	-	32 008 465	-	-	-	-	-	-	-	-	32 008 465	-	-	42 002 850	-	-	-	-	-	9 994 385	-	-	131 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community & Social Services	59 503 840	-	-	-	-	-	59 503 840	-	-	-	-	-	-	-	-	59 503 840	-	-	63 049 337	-	-	-	-	-	3 545 497	-	-	106 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Executive Mayor	13 127 751	-	-	-	-	-	13 127 751	-	-	-	-	-	-	-	-	13 127 751	-	-	14 295 088	-	-	-	-	-	1 167 337	-	-	109 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Manager	13 716 700	-	-	-	-	-	13 716 700	-	-	-	-	-	-	-	-	13 716 700	-	-	9 750 834	-	-	-	-	-	(3 965 866)	-	-	71 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Local Economic Development	10 684 901	-	-	-	-	-	10 684 901	-	-	-	-	-	-	-	-	10 684 901	-	-	5 513 230	-	-	-	-	-	(4 171 671)	-	-	51 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Housing	48 304	-	-	-	-	-	48 304	-	-	-	-	-	-	-	-	48 304	-	-	51 213	-	-	-	-	-	2 909	-	-	106 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Electricity	96 236 100	-	-	-	-	-	96 236 100	-	-	-	-	-	-	-	-	96 236 100	-	-	88 227 243	-	-	-	-	-	(8 008 857)	-	-	92 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Water	44 564 803	-	-	-	-	-	44 564 803	-	-	-	-	-	-	-	-	44 564 803	-	-	53 232 720	-	-	-	-	-	8 667 917	-	-	119 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dog Tax	1 329	-	-	-	-	-	1 329	-	-	-	-	-	-	-	-	1 329	-	-	-	-	-	-	-	-	(1 329)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Expenditure by Vote	344 643 991	-	-	-	-	-	344 643 991	-	-	-	-	-	-	-	-	344 643 991	-	-	351 683 114	-	-	-	-	-	7 039 123	-	-	102 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) for the year	44 724 584	-	-	-	-	-	44 724 584	-	-	-	-	-	-	-	-	44 724 584	-	-	(31 351 545)	-	-	-	-	-	(76 076 129)	-	-	(70)%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

# Makana Municipality

## Appendix G3

### Budgeted Financial Performance (revenue and expenditure) for the year ended 30 June 2014

2014/2013

2013/2012

Revenue By Source	Original Budget		Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.t.o. s31 of the MFMA)		Virement (i.t.o. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Property rates	56 970 285		(13 351 583)		43 598 602		-		-		43 598 602		46 135 174		-		2 546 572		106 %		81 %		-		-		-		38 084 464	
Property rates - penalties & collection charges																														
Service charges - electricity revenue	126 955 458		(13 122 458)		113 833 000		-		-		113 833 000		95 765 651		-		(18 067 309)		84 %		75 %		-		-		-		106 422 540	
Service charges - water revenue	47 576 122		(8 350 122)		39 226 000		-		-		39 226 000		45 089 170		-		5 863 170		115 %		95 %		-		-		-		51 256 929	
Service charges - sanitation revenue	19 653 600		(3 737 600)		15 916 000		-		-		15 916 000		14 256 545		-		(1 659 455)		90 %		73 %		-		-		-		8 444 740	
Service charges - refuse revenue	8 884 123		(297 123)		8 587 000		-		-		8 587 000		6 362 851		-		(2 224 139)		74 %		72 %		-		-		-		1 058 788	
Service charges - other													89 857		-		89 857		DIV/0 %		DIV/0 %		-		-		-		11 035 835	
Rental of facilities and equipment	1 436 569		-		1 436 569		-		-		1 436 569		769 348		-		(647 221)		55 %		55 %		-		-		-		8 444 740	
Interest earned - external investments	5 000 000		-		5 000 000		-		-		5 000 000		385 120		-		(4 614 880)		8 %		8 %		-		-		-		1 058 788	
Interest earned - outstanding debtors	9 000 000		-		9 000 000		-		-		9 000 000		10 835 646		-		1 835 646		120 %		120 %		-		-		-		11 035 835	
Dividends received													-		-		-		DIV/0 %		DIV/0 %		-		-		-		-	
Fines	942 309		-		942 309		-		-		942 309		655 711		-		(286 598)		70 %		70 %		-		-		-		995 651	
Licences and permits	1 279 971		-		1 279 971		-		-		1 279 971		2 596 574		-		1 316 603		203 %		203 %		-		-		-		2 410 544	
Agency services													877 055		-		(396 405)		69 %		DIV/0 %		-		-		-		1 006 407	
Transfers recognised - operational	85 124 185		(27 355 148)		57 769 037		-		-		57 769 037		94 428 938		-		36 660 901		163 %		111 %		-		-		-		1 716 767	
Other revenue	26 546 620		(3 999 938)		22 546 682		-		-		22 546 682		7 308 778		-		(15 237 903)		32 %		28 %		-		-		-		(148 328)	
Gains on disposal of PPE													-		-		-		DIV/0 %		DIV/0 %		-		-		-		222 412 914	
Total Revenue (excluding capital transfers and contributions)	389 369 242		(68 970 612)		320 398 630		-		-		320 398 630		325 577 469		-		5 178 839		102 %		84 %		-		-		-		222 412 914	

## for the year ended 30 June 2014

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# Makana Municipality

## Appendix G4

### Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2014

2014/2013

2013/2012

Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.e. s31 of the MFMA)		Virement (i.e. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments Budget		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote Multi-year expenditure																												
Vote 1- Technical & Infrastructure	61 810 427	53 387 735	115 198 162	115 198 162	-	-	-	-	115 198 162	24 146 275	-	-	-	-	(91 051 887)	-	21 %	39 %	-	-	-	-	-	-	-	-	-	-
Vote 2- Corporate services	885 000	2 050 000	2 935 000	2 935 000	-	-	-	-	2 935 000	709 493	-	-	-	-	(2 225 507)	-	24 %	80 %	-	-	-	-	-	-	-	-	-	-
Vote 3- Financial services	400 000	-	400 000	400 000	-	-	-	-	400 000	558 001	-	-	-	-	168 001	-	142 %	142 %	-	-	-	-	-	-	-	-	-	-
Vote 4- Community & Social Services	8 568 000	9 800 000	18 368 000	18 368 000	-	-	-	-	18 368 000	3 696 903	-	-	-	-	(14 671 097)	-	20 %	43 %	-	-	-	-	-	-	-	-	-	-
Vote 5- Executive Mayor	1 050 000	-	1 050 000	1 050 000	-	-	-	-	1 050 000	327 318	-	-	-	-	(722 682)	-	31 %	31 %	-	-	-	-	-	-	-	-	-	-
Vote 6- Local Economic Development	22 441 000	-	22 441 000	22 441 000	-	-	-	-	22 441 000	3 720 498	-	-	-	-	(18 720 501)	-	17 %	17 %	-	-	-	-	-	-	-	-	-	-
Vote 9- Electricity	8 075 000	11 625 000	19 700 000	19 700 000	-	-	-	-	19 700 000	2 952 511	-	-	-	-	(16 747 489)	-	15 %	37 %	-	-	-	-	-	-	-	-	-	-
Vote 10- Water	40 805 000	97 324 138	138 129 138	138 129 138	-	-	-	-	138 129 138	30 898 011	-	-	-	-	(107 230 127)	-	22 %	76 %	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	144 034 427	174 186 873	318 221 300	318 221 300	-	-	-	-	318 221 300	67 020 011	-	-	-	-	(251 201 289)	-	21 %	47 %	-	-	-	-	-	-	-	-	-	-
Single-year expenditure																												
Total Capital Expenditure - Vote	144 034 427	174 186 873	318 221 300	318 221 300	-	-	-	-	318 221 300	67 020 011	-	-	-	-	(251 201 289)	-	21 %	47 %	-	-	-	-	-	-	-	-	-	-

# Makana Municipality

## Appendix G4

### Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2014

#### 2014/2013

#### 2013/2012

	Original Budget		Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.t.o. s31 of the MFMA)		Virement (i.t.o. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments Budget		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
<b>Capital Expenditure - Standard</b>																														
<b>Governance and administration</b>																														
Executive and council	1 285 000		2 050 000		3 335 000		-		-		3 335 000		3 291 401		-		(43 599)		99 %		256 %		-		-		-		-	
Budget and treasury office	400 000		-		400 000		-		-		400 000		327 318		-		327 318		DIV/0 %		DIV/0 %		-		-		-		-	
Corporate services	885 000		2 050 000		2 935 000		-		-		2 935 000		568 001		-		168 001		142 %		142 %		-		-		-		-	
<b>Community and public safety</b>	15 888 000		-		15 888 000		-		-		15 888 000		3 672 604		-		(12 195 396)		23 %		23 %		-		-		-		-	
Community and social services	3 718 000		-		3 718 000		-		-		3 718 000		67 145		-		(3 650 855)		2 %		2 %		-		-		-		-	
Sport and recreation	850 000		-		850 000		-		-		850 000		3 392 886		-		2 542 886		399 %		399 %		-		-		-		-	
Public safety	1 300 000		-		1 300 000		-		-		1 300 000		212 773		-		(1 087 227)		16 %		16 %		-		-		-		-	
Housing	10 000 000		-		10 000 000		-		-		10 000 000		-		-		(10 000 000)		- %		- %		-		-		-		-	
<b>Economic and environmental services</b>	38 923 557		(1 359 539)		37 564 018		-		-		37 564 018		11 944 517		-		(25 619 501)		32 %		31 %		-		-		-		-	
Planning and development	22 556 000		2 367 424		24 923 424		-		-		24 923 424		3 720 489		-		(21 202 935)		15 %		15 %		-		-		-		-	
Road transport	13 867 557		(3 728 063)		10 140 594		-		-		10 140 594		8 224 018		-		(1 916 576)		81 %		81 %		-		-		-		-	
Environmental protection	2 500 000		-		2 500 000		-		-		2 500 000		-		-		(2 500 000)		- %		- %		-		-		-		-	
<b>Trading services</b>	83 886 840		172 446 412		256 313 252		-		-		256 313 252		48 111 489		-		(208 201 763)		19 %		57 %		-		-		-		-	
Electricity	8 075 000		11 625 000		19 700 000		-		-		19 700 000		2 952 311		-		(16 747 689)		15 %		37 %		-		-		-		-	
Water	40 805 138		97 324 000		138 129 138		-		-		138 129 138		30 899 011		-		(107 230 127)		22 %		76 %		-		-		-		-	
Waste water management	34 986 702		63 497 412		98 484 114		-		-		98 484 114		14 235 668		-		(84 248 446)		14 %		41 %		-		-		-		-	
Waste management	-		-		-		-		-		-		24 299		-		24 299		DIV/0 %		DIV/0 %		-		-		-		-	
<b>Other</b>	4 091 030		-		4 091 030		-		-		4 091 030		-		-		(4 091 030)		- %		- %		-		-		-		-	
Aerodrome	4 091 030		-		4 091 030		-		-		4 091 030		-		-		(4 091 030)		- %		- %		-		-		-		-	
<b>Total Capital Expenditure - Standard</b>	144 034 427		173 136 873		317 171 300		-		-		317 171 300		67 020 011		-		(250 151 289)		21 %		47 %		-		-		-		-	
<b>Funded by:</b>																														
National Government	48 814 069		(20 763 599)		28 050 500		-		-		28 050 500		36 553 348		-		8 522 848		130 %		75 %		-		-		-		-	
Provincial Government	1 679 500		-		1 679 500		-		-		1 679 500		67 145		-		(1 679 500)		- %		- %		-		-		-		-	
District Municipality	10 167 557		19 704 353		29 871 910		-		-		29 871 910		-		-		(29 804 765)		1 %		1 %		-		-		-		-	
<b>Transfers recognised - capital</b>	60 661 156		(1 079 246)		59 581 910		-		-		59 581 910		36 520 493		-		(22 961 417)		61 %		60 %		-		-		-		-	
Borrowing	38 648 625		4 351 375		43 000 000		-		-		43 000 000		14 352 885		-		(28 647 115)		33 %		37 %		-		-		-		-	
Internally generated funds	44 724 646		(20 801 146)		23 923 500		-		-		23 923 500		16 046 633		-		(7 876 867)		67 %		36 %		-		-		-		-	
<b>Total Capital Funding</b>	144 034 427		(17 529 017)		126 505 410		-		-		126 505 410		67 020 011		-		(59 485 399)		53 %		47 %		-		-		-		-	

**Makana Municipality**  
**Appendix G5**  
**Budgeted Cash Flows**  
**for the year ended 30 June 2014**

		2014/2013				2013			
Original Budget	Budget Adjustments (i.e. 528 and 531 of the MFMA)	Final budget adjustments	Final Budget	Actual Outcome	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Cash flow from operating activities</b>									
Ratepayers and other Government - operating	290 245 116	(39 909 630)	251 335 480	204 337 421	(46 998 059)	81 %	70 %	157 178 979	
Government - capital	82 124 184	-	82 124 184	133 752 144	51 627 960	163 %	163 %	128 119 264	
Interest	51 493 596	-	51 493 596	-	(51 493 596)	- %	- %	-	
Other receipts	14 000 004	-	14 000 004	385 120	(13 614 884)	3 %	3 %	1 325 220	
Suppliers and employees	343 032 732	(16 284 852)	326 747 880	17 838 897	(348 586 777)	DIVD %	DIVD %	13 979 837	
Finance charges	427 044	-	427 044	(349 929 820)	(676 676 864)	(107)%	(102)%	(272 557 868)	
Transfers and Grants	1 184 145	24 635 933	25 820 079	(6 337 044)	(6 764 088)	(1 484)%	(1 484)%	(214 867)	
Net cash flow from/used operating activities	782 506 822	(30 558 555)	751 948 267	46 718	(751 901 549)	- %	- %	27 831 145	
<b>Cash flow from investing activities</b>									
Proceeds on disposal of PPE	144 034 428	126 540 804	270 575 232	465 000	(270 110 232)	- %	- %	130 850	
Proceeds from sale of financial assets	-	-	-	(115 949)	(115 949)	DIVD %	DIVD %	854 372	
Capital assets	-	-	-	(54 465 524)	(54 465 524)	DIVD %	DIVD %	(94 186 425)	
Net cash flow from/used investing activities	144 034 428	126 540 804	270 575 232	(54 116 473)	(324 691 706)	(20)%	(38)%	(93 501 203)	
<b>Cash flow from financing activities</b>									
Borrowing long term/refinancing	37 648 625	-	37 648 625	30 769 995	(6 878 630)	82 %	82 %	23 407 122	
Repayment of borrowing	3 165 000	-	3 165 000	(121 800)	(3 286 800)	(4)%	(4)%	(901 659)	
Net cash flow from/used financing activities	40 813 625	-	40 813 625	30 648 395	(10 165 230)	75 %	75 %	22 505 463	
Net increase/(decrease) in cash held	967 354 875	95 982 249	1 063 337 124	(23 421 360)	1 086 758 484	(2)%	(2)%	(43 164 595)	
Cash/cash equivalents at the year begin:			9 652 693					52 997 288	
Cash/cash equivalents at the year end:	967 354 875	95 982 249	1 063 337 124	(13 588 667)	1 086 758 484	(1)%	(1)%		