



**NAMA KHOI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014**

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **GENERAL INFORMATION**

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### **NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES**

Nama Khoi Local Municipality is a local municipality performing the functions as set out in the Constitution.

### **EXECUTIVE COMMITTEE**

Mayor

J F van Wyk (April 2014 to June 2014)

SW Lubbe (July 2013 to March 2014)

Councillors

Hendrik Appolis

Edlin Maritz

Franciscus Cupido

Veronica van Dyk (resigned 07/05/2014)

Simon Kleinbooi

George Cloete

Sera Hoskin

Willem Goedeman

Gillian Pieters

Joshua Losper (resigned 03/06/2014)

Schalk Lubbe

Katrina Ventura

Lorenzo Faber

Stephanus van Wyk

Willem Jordaan

Gert Coetzee

Althea Magerman (resigned 18/03/2014)

Katy Groenewald

### **ACCOUNTING OFFICERS**

Bafedile Lenkoe (from March 2014 to June 2014)

### **REGISTERED OFFICE**

P.O. Box 17

Springbok

8240

### **BUSINESS ADDRESS**

Namakwa Street 4

Springbok

8240

### **POSTAL ADDRESS**

PO Box 17

Springbok

8240

### **BANKERS**

ABSA Bank

### **AUDITORS**

Auditor General - Northern Cape

Registered Auditors

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

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The reports and statements set out below comprise the annual 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)

# **Nama Khoi Local Municipality**

Annual 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 annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditor.

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

The annual financial statements set out on pages 8 to 82, which have been prepared on the going concern basis, were approved by the accounting officers on 31 August 2014 and were signed by:

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**Bafedile Lenkoe**  
**Acting Municipal Manager**

**Springbok**  
**31 August 2014**

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **AUDIT COMMITTEE REPORT**

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### **1. HEADING 1**

#### **1.1 SUB-HEADING 1**

### **2. HEADING 2**

#### **2.1 SUB-HEADING 2**

### **3. HEADING 3**

#### **3.1 SUB-HEADING 3**

### **4. HEADING 4**

#### **4.1 SUB-HEADING 4**







# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING OFFICERS' REPORT**

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### **1. MUNICIPAL MANAGER OVERVIEW**

It gives me great pleasure to submit the Annual report of Nama Khoi municipality for the 2013/2014 financial year. The financial year 2013/2014 was a very difficult year for some of the municipalities in South Africa and Nama Khoi municipality was not immune to all those challenges. Those challenges range from political to administrative battles within the municipality. For example there were no Council meetings since 27 June 2013 up to 26 March 2014 and the council had to convene through a court order.

In the same breath the committees were not functional and the appointed Municipal Manager resigned at the end of the third quarter (26 March 2014). The council appointed an Acting Municipal Manager seconded by the department of COGHSTA after the departure of the incumbent so that the administrative arm of the municipality should not collapse. Against that backdrop the municipality still continued to deliver invaluable basic services and the workers worked as a collective in the best interest of the community.

The financial challenges for this year include the completion of the GRAP compliant asset register, the increasing outstanding debtors and creditors, turning the disclaimer on our financial statements around and also other challenges such as timeously submission of information and communication. All these factors had a negative impact on our compliance status. The aging of the infrastructure of all our towns is another ever growing challenge. There is a great need for upgrading and replacement and not the continuously patching! There is also a great demand for cemeteries and Environmental Impact Studies and investigations had been conducted and undertaken. IT is another area that is critical to our success in that it supports the core business. However, our IT systems in the municipality are not keeping with our strategic goals; hence investigations are underway on how to make IT systems support our strategic direction.

Apart from all these challenges, we are in the process to mitigate our crucial risks and unnecessary expenditure and investigate new means of revenue enhancement. This revenue enhancement strategy forms part of the financial recovery plan of the municipality to be presented to council in the new financial year. The increasing debt collection rate is also a good indicator of the efforts from our side to bring our finances in a sound position. Our involvement in the Spatial Development Framework (SDF) and the revision of the Integrated Development Plan (with the assistance of the communities in the municipal area) are part of the corrective measures. We are also looking forward to the full implementation of the SPLUMA legislation in the new financial year in consultation with all relevant role players.

In order to achieve our vision and mission Nama Khoi strives to employ competent, qualified and skilled staff. Great emphasis is placed on training to assist workers to deliver responsible and accountable services. Currently Nama Khoi Municipality is part of the MMC Training programme to equip departments with the skilled workforce. Our intention in the new financial year will be to recruit, develop and retain talented staff in the employ of the municipality so that the standard of service delivery could be strengthened. We try very hard to retain staff which fulfils the requirements of the municipality and the needs are addressed with the increased focus on training.

Job creation plays a crucial role in the undertaking of projects and 2013/2014 was no exception. The projects completed this year include the paving of roads in various towns and the completion of the Springbok Booster Pump Station. The municipality also made significant contribution to the creation of decent jobs through the facilitation of the recruitment, selection and appointment of the unemployed into internship and learner ships and artisan programme in the local government. 6 persons participated in the programme. Other administration highlights which are in a progressing stage include implementation of the audit findings and recommendations made by Auditor general, convene extended senior management meetings to address day-to-day operations, effective and functional council, alignment of the IDP, SDBIP and Budget and ensuring cooperation amongst departments. Now that the council is active and functional the council is committed and dedicated to effective and efficient service delivery in collaboration with all role players, whilst keeping the Municipal Manager and his team accountable and responsible.

As we move forward, it remains our resolve that we do better than this year in the new financial year. The financial 2013/2014 under review also marked the end of fourth administration. We will focus on further improving our organizational performance as we work towards an improved developmental local government in line with the spirit of the National Development Plan (NDP). However we do acknowledge the fact that the municipality is still faced with challenges but our priorities remain unchanged. Ultimately, our ability to realise these objectives means a better future, quality of life and better economic prospects of each and every person of Nama Khoi area. We are committed to continue the work to ensure that all citizens benefit and enjoy the services and opportunities within our area.

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING OFFICERS' REPORT**

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### **2. GOING CONCERN**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern in spite of the deficit it has had for the past two years. This basis presumes that sufficient funds will be available from National, Provincial and District Municipality grants to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Currently the municipality is collecting about 13% of its service debtors and this has raised significant financial pressures on the municipality's ability to settle creditors in the ordinary course of business. The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the entity continue to procure funding for the ongoing operations for the municipality.

### **3. SUBSEQUENT EVENTS**

The accounting officer is not aware of any material event which occurred after the reporting date and up to the date of this report.

### **4. ACCOUNTING POLICIES**

The annual financial statements were prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board as the prescribed framework by National Treasury.

### **5. ACCOUNTING OFFICERS**

The accounting officers of the municipality during the year and to the date of this report are as follows:

<b>Name</b>	<b>Nationality</b>	<b>Changes</b>
Bafedile Lenkoe	South African	Appointed 26 March 2014
Aubrey Baartman	South African	Resigned 26 March 2014

### **6. AUDITORS**

Auditor General - Northern Cape will continue in office for the next financial period.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

Figures in Rand	Note(s)	2014	2013
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Inventories	10	1 214 737	1 174 849
Operating lease asset	6	66 359	271 182
Receivables from non-exchange transactions	11	5 009 271	6 372 951
VAT receivable	12	6 979 114	9 620 047
Receivables from exchange transactions	13	14 627 692	18 118 843
Unpaid conditional government grants and receipts	9	-	8 403 409
Cash and cash equivalents	14	19 223 904	12 090 655
		<b>47 121 077</b>	<b>56 051 936</b>
<b>NON-CURRENT ASSETS</b>			
Investment property	3	254 248	265 345
Property, plant and equipment	4	607 860 179	625 263 678
Intangible assets	5	197 168	144 389
Long term receivables	8	471 820	493 987
		<b>608 783 415</b>	<b>626 167 399</b>
<b>Total Assets</b>		<b>655 904 492</b>	<b>682 219 335</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Finance lease obligation	15	135 530	241 768
Payables from exchange transactions	21	122 740 343	78 150 674
Retirement benefit obligation	7	302 338	302 338
Unspent conditional grants and receipts	16	21 089 394	19 020 782
Provisions	17	9 895 523	9 547 292
Unspent conditional public contributions and receipts	18	40 362	40 362
Consumer deposits	19	1 583 192	1 458 436
Long term loan	20	2 068 071	2 158 268
		<b>157 854 753</b>	<b>110 919 920</b>
<b>NON-CURRENT LIABILITIES</b>			
Finance lease obligation	15	203 452	275 902
Retirement benefit obligation	7	14 226 000	15 913 403
Provisions	17	21 190 545	11 037 290
Total	20	1 347 350	2 859 605
		<b>36 967 347</b>	<b>30 086 200</b>
<b>Total Liabilities</b>		<b>194 822 100</b>	<b>141 006 120</b>
<b>Net Assets</b>		<b>461 082 392</b>	<b>541 213 215</b>
Accumulated surplus		461 082 392	541 213 215

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2014	2013
<b>Revenue</b>			
Service charges	24	102 891 507	94 434 002
Rental of facilities and equipment	36	723 999	2 041 159
Income from agency services		1 138 175	1 162 730
Licences and permits		1 161 080	1 131 245
Interest on arrear debtors		3 385 993	2 391 014
Other income		1 903 026	3 520 066
Interest received - investment		706 901	797 489
Property rates	23	28 344 482	21 143 179
Government grants & subsidies	25	66 470 205	62 056 683
Fines		211 367	132 107
Actuarial gain		3 576 977	1 569 700
<b>Total revenue</b>		<b>210 513 712</b>	<b>190 379 374</b>
<b>Expenditure</b>			
Personnel costs	29	(71 233 247)	(62 966 249)
Remuneration of councillors	30	(4 445 813)	(4 684 878)
Depreciation and amortisation	32	(38 382 377)	(37 278 711)
Impairment loss	33	(24 776 189)	(1 364 947)
Finance costs	34	(4 991 650)	(2 703 825)
Repairs and maintenance		(7 131 367)	(6 011 244)
Bulk purchases	38	(81 412 147)	(74 513 139)
Contracted services	37	(1 999 303)	(614 165)
General Expenses	27	(56 401 380)	(28 203 111)
<b>Total expenditure</b>		<b>(290 773 473)</b>	<b>(218 340 269)</b>
<b>Operating deficit</b>	28	<b>(80 259 761)</b>	<b>(27 960 895)</b>
Gain on non-current assets disposed off		128 938	-
<b>Deficit for the year</b>		<b>(80 130 823)</b>	<b>(27 960 895)</b>

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2012</b>	<b>569 174 110</b>	<b>569 174 110</b>
Changes in net assets		
Deficit for the year	(27 960 895)	(27 960 895)
Total changes	(27 960 895)	(27 960 895)
<b>Balance at 01 July 2013</b>	<b>541 213 215</b>	<b>541 213 215</b>
Changes in net assets		
Deficit for the year	(80 130 823)	(80 130 823)
Total changes	(80 130 823)	(80 130 823)
<b>Balance at 30 June 2014</b>	<b>461 082 392</b>	<b>461 082 392</b>

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## CASH FLOW STATEMENT

Figures in Rand	Note(s)	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property rates		29 708 162	21 143 179
Service charges		81 589 165	71 000 483
Grants		76 826 991	61 773 878
Interest income		706 901	2 415 941
Other receipts		11 348 362	10 285 477
		<u>200 179 581</u>	<u>166 618 958</u>
<b>Payments</b>			
Employee costs		(72 248 003)	(68 202 360)
Suppliers		(93 133 917)	(74 456 397)
Finance costs		(4 991 650)	(2 703 825)
		<u>(170 373 570)</u>	<u>(145 362 582)</u>
<b>Net cash flows from operating activities</b>	39	<b><u>29 806 011</u></b>	<b><u>21 256 376</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4	(20 992 945)	(21 672 139)
Proceeds from sale of property, plant and equipment	4	204 716	-
Purchase of other intangible assets	5	(103 393)	(135 901)
<b>Net cash flows from investing activities</b>		<b><u>(20 891 622)</u></b>	<b><u>(21 808 040)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of finance lease		(178 688)	(315 196)
Payment on loans		(1 602 452)	(4 618 295)
Loans raised		-	15 000
<b>Net cash flows from financing activities</b>		<b><u>(1 781 140)</u></b>	<b><u>(4 918 482)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7 133 249</b>	<b>(5 470 146)</b>
Cash and cash equivalents at the beginning of the year		12 090 655	17 560 801
<b>Cash and cash equivalents at the end of the year</b>	14	<b><u>19 223 904</u></b>	<b><u>12 090 655</u></b>

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>REVENUE</b>						
<b>REVENUE FROM EXCHANGE TRANSACTIONS</b>						
Service charges	122 214 089	-	<b>122 214 089</b>	102 891 507	<b>(19 322 582)</b>	
Rental of facilities and equipment	32 958	-	<b>32 958</b>	723 999	<b>691 041</b>	
Income from agency services	1 205 712	-	<b>1 205 712</b>	1 138 175	<b>(67 537)</b>	
Licences and permits	1 105 543	-	<b>1 105 543</b>	1 161 080	<b>55 537</b>	
Interest on arrear debtors	1 243 921	-	<b>1 243 921</b>	3 385 993	<b>2 142 072</b>	
Other income	13 361 276	-	<b>13 361 276</b>	1 903 026	<b>(11 458 250)</b>	
Interest received - investment	1 998 940	-	<b>1 998 940</b>	706 901	<b>(1 292 039)</b>	
<b>Total revenue from exchange transactions</b>	<b>141 162 439</b>	-	<b>141 162 439</b>	<b>111 910 681</b>	<b>(29 251 758)</b>	
<b>REVENUE FROM NON-EXCHANGE TRANSACTIONS</b>						
<b>TAXATION REVENUE</b>						
Property rates	34 052 334	-	<b>34 052 334</b>	28 344 482	<b>(5 707 852)</b>	
Government grants & subsidies	37 350 000	-	<b>37 350 000</b>	66 470 205	<b>29 120 205</b>	
<b>TRANSFER REVENUE</b>						
Fines	250 281	-	<b>250 281</b>	211 367	<b>(38 914)</b>	
Other transfer revenue	-	-	-	3 576 977	<b>3 576 977</b>	
<b>Total revenue from non-exchange transactions</b>	<b>71 652 615</b>	-	<b>71 652 615</b>	<b>98 603 031</b>	<b>26 950 416</b>	
<b>Total revenue</b>	<b>212 815 054</b>	-	<b>212 815 054</b>	<b>210 513 712</b>	<b>(2 301 342)</b>	
<b>EXPENDITURE</b>						
Personnel	(68 788 372)	-	<b>(68 788 372)</b>	(71 233 247)	<b>(2 444 875)</b>	
Remuneration of councillors	(4 443 884)	-	<b>(4 443 884)</b>	(4 445 813)	<b>(1 929)</b>	
Depreciation and amortisation	(5 103 265)	-	<b>(5 103 265)</b>	(38 382 377)	<b>(33 279 112)</b>	
Impairment loss/ Reversal of impairments	-	-	-	(24 776 189)	<b>(24 776 189)</b>	
Finance costs	(2 043 824)	-	<b>(2 043 824)</b>	(4 991 650)	<b>(2 947 826)</b>	
Debt impairment	(2 942 941)	-	<b>(2 942 941)</b>	-	<b>2 942 941</b>	
Repairs and maintenance	-	-	-	(7 131 367)	<b>(7 131 367)</b>	
Bulk purchases	(72 543 967)	-	<b>(72 543 967)</b>	(81 412 147)	<b>(8 868 180)</b>	
Contracted Services	(100 000)	-	<b>(100 000)</b>	(1 999 303)	<b>(1 899 303)</b>	
Other materials	(10 672 000)	-	<b>(10 672 000)</b>	-	<b>10 672 000</b>	
Transfers and grants	(6 225 720)	-	<b>(6 225 720)</b>	-	<b>6 225 720</b>	
General Expenses	(32 449 024)	-	<b>(32 449 024)</b>	(56 401 380)	<b>(23 952 356)</b>	
<b>Total expenditure</b>	<b>(205 312 997)</b>	-	<b>(205 312 997)</b>	<b>(290 773 473)</b>	<b>(85 460 476)</b>	

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Figures in Rand						
<b>Operating deficit</b>	<b>7 502 057</b>	-	<b>7 502 057</b>	<b>(80 259 761)</b>	<b>(87 799 239)</b>	
Gain on non-current assets disposed off	-	-	-	128 938	<b>128 938</b>	
<b>Deficit before taxation</b>	<b>7 502 057</b>	-	<b>7 502 057</b>	<b>(80 130 823)</b>	<b>(87 670 301)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>7 502 057</b>	-	<b>7 502 057</b>	<b>(80 130 823)</b>	<b>(87 632 880)</b>	



# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Total	50 197 000	-	<b>50 197 000</b>	47 072 450	<b>(3 124 550)</b>	
<b>NON-CURRENT ASSETS</b>						
Total	408 787 000	-	<b>408 787 000</b>	608 783 415	<b>199 996 415</b>	
<b>Total Assets</b>	<b>458 984 000</b>	-	<b>458 984 000</b>	<b>655 855 865</b>	<b>196 871 865</b>	
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Total	56 568 000	-	<b>56 568 000</b>	158 926 048	<b>102 358 048</b>	
<b>NON-CURRENT LIABILITIES</b>						
Total	30 913 000	-	<b>30 913 000</b>	36 967 347	<b>6 054 347</b>	
<b>Total Liabilities</b>	<b>87 481 000</b>	-	<b>85 646 000</b>	<b>195 893 395</b>	<b>108 412 395</b>	
<b>Net Assets</b>	<b>371 503 000</b>	-	<b>373 338 000</b>	<b>459 962 470</b>	<b>88 459 470</b>	

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>RECEIPTS</b>						
Rates payers and others	155 032 979	-	<b>155 032 979</b>	122 668 093	<b>(32 364 886)</b>	
Grants	65 624 000	-	<b>65 624 000</b>	76 826 991	<b>11 202 991</b>	
Interest income	3 242 862	-	<b>3 242 862</b>	669 425	<b>(2 573 437)</b>	
	<b>223 899 841</b>	-	<b>223 899 841</b>	<b>200 164 509</b>	<b>(23 735 332)</b>	
<b>PAYMENTS</b>						
Employee costs and suppliers	(197 669 005)	-	<b>(197 669 005)</b>	(165 366 848)	<b>32 302 157</b>	
Finance costs	(2 043 824)	-	<b>(2 043 824)</b>	(4 991 650)	<b>(2 947 826)</b>	
	<b>(199 712 829)</b>	-	<b>(199 712 829)</b>	<b>(170 358 498)</b>	<b>29 354 331</b>	
<b>Net cash flows from operating activities</b>	<b>24 187 012</b>	-	<b>24 187 012</b>	<b>29 806 011</b>	<b>5 618 999</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(35 993 000)	-	<b>(35 993 000)</b>	(20 992 945)	<b>15 000 055</b>	
Proceeds from sale of property, plant and equipment	7 719 000	-	<b>7 719 000</b>	204 716	<b>(7 514 284)</b>	
Purchase of other intangible assets	-	-	-	(103 393)	<b>(103 393)</b>	
<b>Net cash flows from investing activities</b>	<b>(28 274 000)</b>	-	<b>(28 274 000)</b>	<b>(20 891 622)</b>	<b>7 382 378</b>	
<b>Cash flows from financing activities</b>						
Payment of loans	(512 000)	-	<b>(512 000)</b>	(1 781 140)	<b>(1 269 140)</b>	
<b>Net cash flows from financing activities</b>	<b>512 000</b>	-	<b>512 000</b>	<b>(1 781 140)</b>	<b>(757 140)</b>	
Net increase/(decrease) in cash and cash equivalents	(4 598 988)	-	<b>(4 598 988)</b>	7 133 249	<b>11 732 237</b>	
Cash and cash equivalents at the beginning of the year	12 090 655	-	<b>12 090 655</b>	12 090 655	-	
<b>Cash and cash equivalents at the end of the year</b>	<b>7 491 667</b>	-	<b>7 491 667</b>	<b>19 223 904</b>	<b>11 732 237</b>	

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1. Presentation of Annual Financial Statements**

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

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

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

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

#### **Post retirement medical benefits**

The cost of post-retirement medical obligations is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note to the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Additional information is disclosed in Note 7.

#### **Impairment of receivables**

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

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

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

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

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

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

#### **Intangible Assets**

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

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

Management referred to the following when making assumptions regarding useful lives of intangible assets:

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

### **Investment Property**

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

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

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

### **Provisions**

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

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

#### **Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (risk free rate) linked to prime was used to calculate the effect of time value of money.

#### **Provision for Staff leave**

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

Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

#### **Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using the trend analysis and historical data of electricity consumption.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.1 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

#### Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

#### Revenue Recognition

The Accounting Policy on Revenue from Non-Exchange Transactions as well as Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

### 1.2 INVESTMENT PROPERTY

#### Initial Recognition

Investment property shall be recognised as an asset when and only when:

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

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

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

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

The cost of day to day servicing of investment property is recognised in Statement of Financial Performance as incurred.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.2 INVESTMENT PROPERTY (continued)

#### Subsequent Measurement – Cost model

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

#### Depreciation and Impairment

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

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property.

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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

The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

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 the impairment is recognised in the Statement of Financial Performance.

#### De-recognition

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

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

---

### **1.3 PROPERTY, PLANT AND EQUIPMENT**

#### **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. All assets that meet the definition of investment property are excluded from property, plant and equipment. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure 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.

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.

#### **Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land, except for landfill sites 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.

#### **Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to 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.

#### **De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is



# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.3 PROPERTY, PLANT AND EQUIPMENT (continued)

recognised in the Statement of Financial Performance.

The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
<b>Land</b>	infinite
<b>Infrastructure</b>	
Airport Structures	5-60
Boreholes	15-60
Bridges	50-80
Collection / Reticulation Network	50
Dams	50
Distribution / Reticulation Network	20-60
LV /Network	10-50
MV /Network	10-60
Road Structures	10-60
Sewer Pump Station	15-60
Storage	15-60
Storm Water	30-60
Traffic Management	10-40
Waste Water Treatment	10-60
Water Pump Station	15-60
Water Treatment	15-60
<b>Community</b>	
Cemetary	20-60
Community Hall	10-60
Library	10-60
Library & Hall	20-60
Municipal Pounds	20
Museum	15-60
Sport Facility	10-60
Taxi Rank	10-60
<b>Loose assets</b>	
Computer Equipment	5-7
Furniture & Fittings	5-7
Other- access control systems and clock system	10
Other- Portable generators and chargers / heaters/ fan	5-7
Other - Safe	7
Other - TV Recorders and DSTV decoders	5
Other - TV Sets	5
Other - Vehicle testing station and traffic enforcement equipment	5
Other - Workshop equipment and loose tools - movable	5
Other - Audiovisual equipment	5-7
Building air conditioning systems	5-7
Domestic equipment	5-7
Fire fighting equipment	5-7
Radio equipment	5-7
Sound equipment	5
Vehicles	5-10
<b>Finance lease assets</b>	
Office equipment	2-5

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.4 INTANGIBLE ASSETS

#### Initial Recognition

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

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

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

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

Intangible assets are initially recognised at cost.

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

#### Subsequent Measurement – Cost Model

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

#### Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b>Intangible Assets</b>	<b>Years</b>
Computer Software	5
Computer Software Licenses	5

#### De-recognition

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

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.5 FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables, cash and cash equivalents, annuity loans and payables.

#### **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.

#### **Receivables**

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

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

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

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

#### **Payables and Annuity Loans**

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

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

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

---

### 1.5 FINANCIAL INSTRUMENTS (continued)

cash and cash equivalents as financial assets carried at amortised cost.

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

#### De-recognition

##### Financial Assets

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

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

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

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

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

##### Financial Liabilities

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

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

#### Offsetting

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.

### 1.6 TAX

#### Value Added Tax

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

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.7 LEASES**

#### **Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Transfer of ownership is not required to be recognised as a finance lease. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

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

#### **Derecognition**

The finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

The operating lease liability is derecognised when the entity's obligation to settle the liability is extinguished. The operating lease asset is derecognised when the entity no longer anticipates economic benefits to flow from the asset.

#### **Municipality as Lessor**

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

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

#### **Derecognition**

Finance lease receivables are derecognised when the entity's right to the underlying cash flows expire or when the entity no longer expects economic benefits to flow from the finance lease receivable.

Operating lease liabilities are derecognised when the entity's obligation to provide economic benefits or service potential under the lease agreement expires. Operating lease assets are derecognised when the entity's right to the underlying cash flows expire or the entity no longer expects economic benefits to flow from the operating lease asset.

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.8 INVENTORIES**

#### **Initial Recognition**

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.

#### **Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

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

A provision is maintained for obsolete or damaged inventory. The level of the provision for obsolete inventory is equivalent to the value of the difference between the cost of the inventory and its net realisable value or current replacement cost at financial year-end.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

#### 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.

#### 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:

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

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.9 IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)**

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.



# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.10 EMPLOYEE BENEFITS

#### (a) Pension and Retirement Fund Obligations

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

#### (b) Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off 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.

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.

#### (c) Staff Leave

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

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

Accumulated leave is vesting.

#### (d) Staff Bonuses

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

#### (e) Other Short-term Employee Benefits

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.10 EMPLOYEE BENEFITS (continued)

the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

### 1.11 PROVISIONS

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

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.

A contingent liability is:

- a) 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 entity; or
- b) a present obligation that arises from past events but is not recognised because:
  - i. it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - ii. the amount of the obligation cannot be measured with sufficient reliability.

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. This means:

- Provisions for one-off events are measured at the most likely outcome;
- Provisions for large populations of events are measured at a probability-weighted expected value; and
- Both measurements are discounted (where the effect is material) using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the liability.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.12 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the Municipality does not enforce its obligation to collect the revenue.

Service charges relating to electricity and water are based on consumption and a basic charge is levied as per Council resolution. Meters are read on a monthly basis and the billings 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 is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

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

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

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

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

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

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

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.12 REVENUE FROM EXCHANGE TRANSACTIONS (continued)**

dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### **1.13 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

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

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. It is a subsequent event if the Municipality does not enforce its obligation to collect the revenue. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

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

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

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

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

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

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

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.14 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 accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### **1.15 UNAUTHORISED EXPENDITURE**

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

### **1.16 FRUITLESS AND WASTEFUL EXPENDITURE**

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

### **1.17 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.18 PRESENTATION OF CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

### **1.19 GOING CONCERN ASSUMPTION**

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

### **1.20 FOREIGN CURRENCY TRANSACTIONS**

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

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.21 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

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

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

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

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

### **1.22 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

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

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

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

### **1.23 UNSPENT PUBLIC CONTRIBUTIONS**

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

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

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

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

### **1.24 CONTINGENT LIABILITIES**

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 entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

# **Nama Khoi Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **1.25 AMENDED DISCLOSURE POLICY**

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

### **1.26 PRESENTATION OF BUDGET INFORMATION**

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

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### **1.27 RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

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, 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 is the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2014

2013

### 2. NEW STANDARDS AND INTERPRETATIONS

#### 2.1 STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET EFFECTIVE

The municipality has not applied the following standards and interpretations, which have been published. The standards have no effective dates as yet:

**Standard/ Interpretation:**

- ▣ GRAP 32: Standard of GRAP on Service Concession Arrangements: Grantor
- ▣ GRAP 108: Standard of GRAP on Statutory Receivables
- ▣ GRAP 20: Related Party Disclosures
- ▣ GRAP 18: Segment Reporting
- ▣ GRAP 105: Transfer of Functions Between Entities Under Common Control
- ▣ GRAP 106: Transfer of Functions Between Entities Not Under Common Control
- ▣ GRAP 107: Mergers

**Expected impact:**

Unlikely that the impact will be material  
Unlikely that the impact will be material  
Unlikely that the impact will be material  
Unlikely that the impact will be material  
Unlikely that the impact will be material  
Unlikely that the impact will be material  
Unlikely that the impact will be material



# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2014 2013

### 3. INVESTMENT PROPERTY

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	372 000	(117 752)	254 248	372 000	(106 655)	265 345

#### Reconciliation of investment property - 2014

	Opening balance	Depreciation	Total
Investment property	265 345	(11 097)	254 248

#### Reconciliation of investment property - 2013

	Opening balance	Depreciation	Total
Investment property	276 442	(11 097)	265 345

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.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

### 4. PROPERTY, PLANT AND EQUIPMENT

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	6 677 535	-	6 677 535	6 704 935	-	6 704 935
Buildings	9 073 074	(2 751 767)	6 321 307	9 073 074	(2 449 331)	6 623 743
Infrastructure	940 177 189	(452 099 362)	488 077 827	929 625 050	(421 317 559)	508 307 491
Community	171 644 245	(79 663 969)	91 980 276	169 739 983	(74 756 508)	94 983 475
Leased assets	1 653 992	(1 443 423)	210 569	1 653 992	(1 232 947)	421 045
Capital work in progress	8 863 664	-	8 863 664	863 647	-	863 647
Loose assets	17 712 521	(11 983 520)	5 729 001	17 399 490	(10 040 148)	7 359 342
<b>Total</b>	<b>1 155 802 220</b>	<b>(547 942 041)</b>	<b>607 860 179</b>	<b>1 135 060 171</b>	<b>(509 796 493)</b>	<b>625 263 678</b>

### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	6 704 935	-	(27 400)	-	-	-	6 677 535
Buildings	6 623 743	-	-	-	(302 436)	-	6 321 307
Infrastructure	508 307 491	10 552 139	-	-	(30 781 803)	-	488 077 827
Community	94 983 475	1 904 262	-	-	(4 907 461)	-	91 980 276
Leased assets	421 045	-	-	-	(210 476)	-	210 569
Capital work in progress	863 647	8 863 664	-	(863 647)	-	-	8 863 664
Loose assets	7 359 342	536 527	(48 378)	-	(2 002 100)	(116 390)	5 729 001
	<b>625 263 678</b>	<b>21 856 592</b>	<b>(75 778)</b>	<b>(863 647)</b>	<b>(38 204 276)</b>	<b>(116 390)</b>	<b>607 860 179</b>

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### 4. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Opening balance	Additions	Transfers	Depreciation	Total
Land	6 704 935	-	-	-	6 704 935
Buildings	6 926 178	-	-	(302 435)	6 623 743
Infrastructure	522 113 807	16 232 076	-	(30 038 392)	508 307 491
Community	96 173 498	3 462 903	-	(4 652 926)	94 983 475
Leased assets	719 233	15 000	-	(313 188)	421 045
Capital work in progress	1 688 933	863 647	(1 688 933)	-	863 647
Loose assets	8 734 249	559 908	-	(1 934 815)	7 359 342
	<b>643 060 833</b>	<b>21 133 534</b>	<b>(1 688 933)</b>	<b>(37 241 756)</b>	<b>625 263 678</b>

#### Assets subject to finance lease (Net carrying amount)

Leased Assets	210 569	421 045
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#### Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Total
Opening balance	656 253	207 394	863 647
Additions/capital expenditure	8 863 664	-	8 863 664
Transferred to completed items	(656 253)	(207 394)	(863 647)
	<b>8 863 664</b>	<b>-</b>	<b>8 863 664</b>

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### 4. PROPERTY, PLANT AND EQUIPMENT (continued)

#### Reconciliation of Work-in-Progress 2013

	Included within Infrastructure	Included within Community	Total
Opening balance	1 688 933	-	1 688 933
Additions/capital expenditure	656 253	207 394	863 647
Transferred to completed items	(1 688 933)	-	(1 688 933)
	<b>656 253</b>	<b>207 394</b>	<b>863 647</b>

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

### 5. INTANGIBLE ASSETS

	2014			2013		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	283 860	(86 692)	197 168	180 468	(36 079)	144 389

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Intangible assets	144 389	103 393	(50 614)	197 168

#### Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Intangible assets	34 345	135 901	(25 857)	144 389

### 6. OPERATING LEASE ASSET (ACCRUAL)

#### Reconciliation

Balance at the beginning of the year	271 182	239 320
Movement during the year	(204 823)	31 862
	<b>66 359</b>	<b>271 182</b>

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

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

# Nama Khoi Local Municipality

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### 6. OPERATING LEASE ASSET (ACCRUAL) (continued)

Up to 1 year	343 289	192 098
2 to 5 years	550 110	587 833
More than 5 years	59 658	136 396
	<b>953 057</b>	<b>916 327</b>

### 7. EMPLOYEE BENEFIT OBLIGATIONS

#### Defined benefit plan

The Post Retirement Health Care Benefit Plan is a defined benefit plan. The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- LA Health
- Hosmed
- Fed Health
- Key Health and
- SAMWU Medical Aid

#### Post retirement medical aid plan

The Plan has the following membership breakdown and plan liability respectively:

#### Membership

In service (employee) members	97	87
Continuation members (pensioners) e.g retirees, widows, orphans	8	8
	<b>105</b>	<b>95</b>

#### Estimated plan liability

Current (in service) members	10 436 000	12 121 403
Continuation Members (Pensioners)	3 790 000	3 792 000
	<b>14 226 000</b>	<b>15 913 403</b>

#### Other defined benefit pension funds

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

#### Carrying value

Short fall in Cape Joint Pension Fund	(302 338)	(302 338)
Provision of Post Retirement Health Care Benefits	(14 226 000)	(15 913 403)
	<b>(14 528 338)</b>	<b>(16 215 741)</b>
Non-current liabilities	(14 226 000)	(15 913 403)
Current liabilities	(302 338)	(302 338)
	<b>(14 528 338)</b>	<b>(16 215 741)</b>

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

Opening balance	16 345 403	15 913 403
Net expense recognised in the statement of financial performance	(1 687 403)	432 000
	<b>14 658 000</b>	<b>16 345 403</b>

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### 7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

#### Net expense recognised in the statement of financial performance

Current service cost	808 000	1 162 400
Interest cost	1 275 000	1 254 300
Actuarial (gains) losses	(3 577 406)	(1 765 700)
Benefits paid	(192 997)	(219 000)
	<b>(1 687 403)</b>	<b>432 000</b>

#### Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(3 577 406)	(1 765 700)
Actuarial (gains) losses – Plan assets	-	-
	<b>(3 577 406)</b>	<b>(1 765 700)</b>

#### Key assumptions used

Actuarial assumptions used at the reporting date:

Discount rates used	8.94 %	7.89 %
Consumer price inflation	7.05 %	6.14 %
medical aid inflation	8.05 %	7.14 %
Net effective discount rate	0.82 %	0.70 %

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

The discount rate was set as the yield of the R209 South African government bond as at the valuation date. The actual yield on the R209 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

The medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate Inflation. We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional government bond yields (R209) and current index-linked bond yields (R202).

South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. We do not consider these increases to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements. The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

We assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single employees would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be five years younger than their male spouses at retirement and vice versa.

# Nama Khoi Local Municipality

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### 7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

#### Sensitivity Analysis

The actual cost to the Municipality will be dependent on actual future levels of assumed variables.

In order to illustrate the sensitivity of the results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

- 20% increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the Medical Aid inflation.

#### Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa. The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees. Therefore the assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A 20% change in the mortality rate would have the following effects:

	<b>20% increase</b>	<b>20% decrease</b>
Total Accrued Liability	13 038 000	15 723 000
Interest Cost	1 200 000	1 450 000
Service Cost	1 023 000	1 249 000

#### Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	<b>1% increase</b>	<b>1% decrease</b>
Total Accrued Liability	16 984 000	12 040 000
Interest Cost	1 568 000	1 107 000
Service Cost	1 358 000	938 000

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### 7. EMPLOYEE BENEFIT OBLIGATIONS (continued)

#### Defined contribution plan

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

The contribution plans are a Multi-Employer Funds and as such are Defined Benefit Plan. Due to the fact that sufficient information is not available to enable the municipality to account for these plans as a defined benefit plans, the municipality accounted for these plans as a defined contribution plans:

#### CAPE JOINT PENSION FUND (multi-employer fund)

The DB section is a multi-employer plan, and the contribution rate payable is 27%, i.e. 9% by the members and 18% by their councils. The fund was certified by the actuary as being in a sound financial position as at 30 June 2012. The valuation indicates a break even actuarial result, and is 99,4% funded at the financial year end. Nama Khoi Municipality is among the local authorities that contribute to the Cape Joint Pension Fund. Included in the rules of the fund is a proviso that the assets provide a minimum return of 5,5% per annum, failing which the local authorities associated with the fund are required to fund the shortfall in direct proportion to the level of contributions made. As at the date of these financial statements, an assessment of the performance of the fund's assets for the 2011 year had not been completed. Should the return of the assets be less than 5,5%, Nama Khoi Municipality could be liable for its portion of the shortfall in terms of the rules of the fund. The municipality is currently engaged in a dispute that relates to a shortfall in the return of the fund assets, as contemplated above, during the 2008 and 2009 financial years, for an amount of R302 337,74; 2013 (2013: R302 337,74. A provision of R302 337,74 has been included in this note above.

#### Recognised in the Statement of Financial Performance

Contributions for the year	9 153	20 610
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#### CAPE JOINT RETIREMENT FUND (multi-employer fund)

The contribution rate paid by the members (9%) and their councils (18%) is sufficient to fund the benefits accruing from the fund in future. The actuary certified the fund, a Defined Contribution plan, as being in a sound financial position as at 30 June 2012.

#### Contributions for the year

Recognised in the Statement of Financial Performance under Personnel costs	1 421 051	1 023 825
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#### OTHER DEFINED CONTRIBUTION FUNDS

#### Contributions paid recognised in the Statement of Financial Performance under Personnel costs

Sanlam Funds	581 786	542 577
Optimum	75 209	70 192
SAMWU National Provident Fund	4 010 618	3 819 006
	<b>4 667 613</b>	<b>4 431 775</b>

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# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 8. LONG TERM RECEIVABLES

The long term receivables are made up of service debtors who have made arrangements to repay their outstanding arrear debt over a renegotiated period.

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

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment. The receivables are not secured.

The municipality currently assesses the quality of its debtors using a combination of payment history and whether the debtor has requested a payment arrangement or not. The municipality's exposure is limited to the amount owed.

Current year long term receivables relate to service debtors that have negotiated payment terms with the municipality resulting in a portion of the balance being receivable after twelve months.

#### Total long term receivables

Exchange receivables	360 875	337 437
Non-exchange receivables	110 945	156 550
	<b>471 820</b>	<b>493 987</b>

#### Reconciliation of provision for impairment on long term receivables

Opening balance	717 795	2 242 540
Movement	857 553	(1 524 745)
<b>Closing balance</b>	<b>1 575 348</b>	<b>717 795</b>

#### 2014

	Gross balance	Provision for impairment	Total
Assessment rates debtors - non-exchange receivables	481 378	(370 431)	110 947
Water service debtors -exchange receivables	599 803	(461 564)	138 239
Electricity service debtors -exchange receivables	402 133	(309 452)	92 681
Sewerage service debtors -exchange receivables	173 742	(133 699)	40 043
Refuse service debtors - exchange receivables	258 702	(199 078)	59 624
Other exchange debtors	131 410	(101 124)	30 286
	<b>2 047 168</b>	<b>(1 575 348)</b>	<b>471 820</b>

#### 2013

	Gross balance	Provision for impairment	Total
Housing loans (Land sales) - exchange receivables	56 676	(32 600)	24 076
Assessment rates debtors - non-exchange receivables	366 208	(209 658)	156 550
Water service debtors -exchange receivables	411 948	(235 844)	176 104
Electricity service debtors -exchange receivables	58 558	(33 525)	25 033
Sewerage service debtors -exchange receivables	133 465	(76 410)	57 055
Refuse service debtors - exchange receivables	44 109	(25 253)	18 856
Other exchange debtors	140 818	(104 505)	36 313
	<b>1 211 782</b>	<b>(717 795)</b>	<b>493 987</b>

# Nama Khoi Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 9. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

The National Electrification Grant was used for electrical connections in previously disadvantaged areas. The amount incurred. The prior year expenditure incurred in the electrification project is expected to be recovered from the Department of Energy.

Refer to Note 25 for the current year grant reconciliation.

#### DME: Electrification

Balance unspent at the beginning of the year	-	(21 389)
Current year receipts	-	-
Conditions met - transferred to revenue (capital)	-	21 389
Future recovery (receivable from the Department of Energy)	-	8 403 409
	<b>-</b>	<b>8 403 409</b>

### 10. INVENTORIES

Consumable stores - stationery and materials at cost	940 329	1 046 675
Water - at purification cost	274 408	128 174
	<b>1 214 737</b>	<b>1 174 849</b>

Inventory write-down to Net Replacement Value (NRV) or Net Replacement Cost (NRC):	276 520	49 714
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Consumable stores materials written down due to losses as identified during the annual stores counts.	22 744	302 451
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The municipality recognised only purification costs in respect of non-purchased purified water inventory.

### 11. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Provision for doubtful debts	(12 643 562)	(7 739 463)
Taxes - rates	16 746 141	13 366 762
Other receivables from non-exchange revenue	906 692	745 652
	<b>5 009 271</b>	<b>6 372 951</b>

#### Receivables (rates) from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 2 months past due are not considered to be impaired. At 30 June 2014, R 4 102 579 (2013: R 6 040 737) were past due but not impaired.

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

1 month past due	2 448 517	3 716 156
2 months past due	42 959	337 782
3 months past due	39 495	333 872
More than 90 days due	1 682 553	2 019 135
Rates debtors' transferred to long term receivables	(110 945)	(366 208)

# Nama Khoi Local Municipality

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### 11. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

#### Receivables from non-exchange transactions impaired

As of 30 June 2014, other receivables from non-exchange transactions of R 13 013 993 (2013: R 7 739 462) were impaired and provided for.

The amount of the provision was R 13 013 993 as of 30 June 2014 (2013: R 7 739 462).

The ageing of these loans is as follows:

3 to 6 months	861 094	113 843
Over 6 months	12 152 899	7 625 619

#### Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	(7 739 462)	(10 426 943)
Provision for impairment	(5 274 531)	(287 292)
Amounts written off as uncollectible	-	2 974 773
	<b>(13 013 993)</b>	<b>(7 739 462)</b>

The total provision for doubtful debtors related to rates debtors.

Debtors with a total outstanding balance of R731 090 (2013 - R565 057) have arranged to settle their account over a re-negotiated period. Total payments to the value of R481 376 (2013 - R366 208) have been deferred beyond 12 months after year end and subsequently included as part of long term receivables.

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. In determining the recoverability of other receivables, the municipality considers any change in the credit quality of receivables from the date on which the credit was initially granted up to the reporting date. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

### 12. VAT RECEIVABLE

VAT	6 979 114	9 620 047
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The municipality is registered for VAT on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

### 13. RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONSUMER DEBTORS)

#### Gross balances

Electricity	18 582 492	11 368 579
Water	16 159 062	11 111 460
Sewerage	3 955 547	3 196 279
Refuse	8 740 054	7 331 418
Other	6 867 763	6 172 283
	<b>54 304 918</b>	<b>39 180 019</b>

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<b>13. RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONSUMER DEBTORS) (continued)</b>		
<b>Less: Allowance for impairment</b>		
Electricity	(14 288 709)	(6 400 278)
Water	(11 779 081)	(5 945 371)
Sewerage	(3 038 442)	(1 798 985)
Refuse	(6 724 030)	(4 136 794)
Other	(3 846 964)	(2 779 748)
	<b>(39 677 226)</b>	<b>(21 061 176)</b>
<b>Net balance</b>		
Electricity	4 293 783	4 968 301
Water	4 379 981	5 166 089
Sewerage	917 105	1 397 294
Refuse	2 016 024	3 194 624
Other	3 020 799	3 392 535
	<b>14 627 692</b>	<b>18 118 843</b>
<b>Electricity</b>		
Current (0 -30 days)	4 529 785	4 565 529
31 - 60 days	572 072	805 854
61 - 90 days	539 703	735 208
> 90 days	13 343 065	5 320 547
Transferred to long term receivables	(402 133)	(58 558)
Provision for doubtful debtors	(14 288 709)	(6 400 279)
	<b>4 293 783</b>	<b>4 968 301</b>
<b>Water</b>		
Current (0 -30 days)	3 540 502	3 489 119
31 - 60 days	463 443	490 094
61 - 90 days	525 081	472 007
> 90 days	12 229 839	7 072 189
Transferred to long term receivables	(599 803)	(411 948)
Provision for doubtful debtors	(11 779 081)	(5 945 372)
	<b>4 379 981</b>	<b>5 166 089</b>
<b>Sewerage</b>		
Current (0 -30 days)	635 967	1 059 995
31 - 60 days	99 660	80 752
61 - 90 days	91 696	88 229
> 90 days	3 301 966	2 100 769
Transferred to long term receivables	(173 742)	(133 465)
Provision for doubtful debtors	(3 038 442)	(1 798 986)
	<b>917 105</b>	<b>1 397 294</b>

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<b>13. RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONSUMER DEBTORS) (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	936 492	2 232 391
31 - 60 days	191 827	177 418
61 - 90 days	177 183	181 198
> 90 days	7 693 254	4 784 520
Transferred to long term receivables	(258 702)	(44 109)
Provision for doubtful debtors	(6 724 030)	(4 136 794)
	<b>2 016 024</b>	<b>3 194 624</b>
<b>Other debtors</b>		
Current (0 -30 days)	2 159 131	2 646 817
31 - 60 days	76 549	74 361
61 - 90 days	78 830	88 879
> 90 days	4 684 664	3 462 231
Transferred to long term receivables	(131 410)	(100 005)
Provision for doubtful debtors	(3 846 965)	(2 779 748)
	<b>3 020 799</b>	<b>3 392 535</b>
<b>Reconciliation of the provision for doubtful debtors</b>		
Balance at beginning of the year	(21 061 176)	(24 624 587)
Amounts written off as uncollectible	-	5 238 483
Contributions to the allowance	(19 820 966)	(1 675 072)
	<b>(40 882 142)</b>	<b>(21 061 176)</b>

### Consumer debtors impaired

The amount of the provision was R 40 882 142 as of 30 June 2014 (2013: R 21 061 176).

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

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

The municipality currently assesses the quality of its debtors using a combination of payment history and whether the debtor has requested a payment arrangement or not. The municipality's exposure is limited to the amount owed. In determining the recoverability of other receivables, the municipality considers any change in the credit quality of receivables from the date on which the credit was initially granted up to the reporting date.

## 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	25 630	19 630
Current account	3 665 176	901 044
Call investment deposits	15 533 098	11 169 981
	<b>19 223 904</b>	<b>12 090 655</b>

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### 14. CASH AND CASH EQUIVALENTS (continued)

The municipality currently only deposits cash with established commercial banks so as to limit its exposure to losses. Furthermore there are no restrictions to the ability of the municipality to realise the bank balances.

#### The municipality had the following bank accounts

##### Account number / description

ABSA Bank Limited - Account Number 9270778034 (Library)	829 367	233 595
ABSA Bank Limited - Account Number 9249138970 (FMG)	362 344	107 816
ABSA Bank Limited - Account Number 9233473372 (Land Sales)	1 000	1 000
ABSA Bank Limited - Account Number 9233471702 (MIG)	10 834 597	7 351 269
ABSA Bank Limited - Account Number 9233473306 (Housing)	1 837 316	1 972 734
ABSA Bank Limited - Account Number 9233472871 (DME)	222 661	61 465
ABSA Bank Limited - Account Number 9255092704 (NDFT)	550 000	550 000
ABSA Bank Limited - Account Number 9249915702 (MSIG)	291 000	99 468
BSA Bank Limited - Account Number 9270780013 (EPWP)	604 813	792 635
ABSA Bank Limited - Account Number 4052704442 (PRIMARY ACCOUNT)	3 665 176	901 044

**19 198 274 12 071 026**

#### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank Limited - Account Number 9270778034 (Library)	829 367	233 594	772 000	829 367	233 595	772 000
ABSA Bank Limited - Account Number 9249138970 (FMG)	362 344	107 816	197 668	362 344	107 816	197 668
ABSA Bank Limited - Account Number 9233473372 (Land Sales)	1 000	1 000	1 000	1 000	1 000	1 000
ABSA Bank Limited - Account Number 9233471702 (MIG)	10 834 597	7 351 269	9 954 277	10 834 597	7 351 269	9 954 277
ABSA Bank Limited - Account Number 9233473306 (Housing)	1 837 316	1 972 734	2 352 238	1 837 316	1 972 734	2 352 238
ABSA Bank Limited - Account Number 9233472871 (DME)	222 661	61 465	1 369 148	222 661	61 465	1 369 148
ABSA Bank Limited - Account Number 9255092704 (NDFT)	550 000	550 000	100 000	550 000	550 000	100 000
ABSA Bank Limited - Account Number 9249915702 (MSIG)	291 000	99 468	18 337	291 000	99 468	18 337
BSA Bank Limited - Account Number 9270780013 (EPWP)	604 813	792 635	-	604 813	792 635	-
ABSA Bank Limited - Account Number 4052704442 (PRIMARY ACCOUNT)	4 947 896	1 557 754	3 263 626	3 665 176	901 044	2 776 504
<b>Total</b>	<b>20 480 994</b>	<b>12 727 735</b>	<b>18 028 294</b>	<b>19 198 274</b>	<b>12 071 026</b>	<b>17 541 172</b>

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
<b>15. FINANCE LEASE OBLIGATION</b>		
<b>Minimum lease payments due</b>		
- within one year	157 254	337 504
- in second to fifth year inclusive	219 760	369 755
- later than five years	-	-
	<u>377 014</u>	<u>707 259</u>
less: future finance charges	(38 031)	(189 589)
<b>Present value of minimum lease payments</b>	<b>338 983</b>	<b>517 670</b>
Non-current liabilities	203 452	275 902
Current liabilities	135 530	241 768
	<b>338 982</b>	<b>517 670</b>

The capitalised lease liability consist of the following contracts:

Supplier	Description of leased asset	Effective interest rate	Annual escalation	Lease term
Nashua	Photocopiers	8%	0%	5 years

### Defaults and breaches

Hire purchase and leases are secured by property, plant and equipment. The finance lease agreements have various final maturity dates, ranging from 31 August 2014 to 31 May 2017.

## 16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2014	2013
DWAF: WSACDBP	510 747	510 747
Tourism	36 558	36 558
District Municipality	540 670	540 670
Project: Swimming Pool	450 000	450 000
DME: M/Kloof electrification	55 311	127 546
Housing Grant	3 576 497	3 404 759
District Municipality - World Cup 2010	52 139	52 139
Sport Development Grant	308 500	308 500
District Municipality - Fire equipment	52 264	52 264
Municipal Systems Improvement Grant (MSIG)	-	5 176
Library Grant	1 046 290	705 511
Local Government Financial Management Grant (FMG)	-	2 508
Municipal Infrastructure Grant (MIG)	14 460 418	12 824 404
	<b>21 089 394</b>	<b>19 020 782</b>

Some of the Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

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

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2014 2013

### 17. PROVISIONS

#### Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	11 328 895	9 130 331	-	20 459 226
Staff leave	4 964 285	842 057	(658 538)	5 147 804
Staff bonus	1 348 402	3 288 665	(3 318 029)	1 319 038
Long service award obligation	2 943 000	1 321 072	(104 072)	4 160 000
	<b>20 584 582</b>	<b>14 582 125</b>	<b>(4 080 639)</b>	<b>31 086 068</b>

#### Reconciliation of provisions - 2013

	Opening Balance	Additions	Change in provision for rehabilitation cost	Reversed during the year	Total
Environmental rehabilitation	10 626 662	-	702 233	-	11 328 895
Staff leave	3 377 522	1 931 470	-	(344 707)	4 964 285
Staff bonus	1 307 169	2 774 315	-	(2 733 082)	1 348 402
Long service award obligation	2 652 000	291 000	-	-	2 943 000
	<b>17 963 353</b>	<b>4 996 785</b>	<b>702 233</b>	<b>(3 077 789)</b>	<b>20 584 582</b>

Non-current liabilities	21 190 545	11 037 290
Current liabilities	9 895 523	9 547 292
	<b>31 086 068</b>	<b>20 584 582</b>



# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2014 2013

### 17. PROVISIONS (continued)

#### 17.1 Environmental rehabilitation provision

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset.

##### Assumptions and estimates

The life of a landfill site can be acceptable up to a period of 25 years and seldom is it necessary to extend that. Periods longer than 25 years have only a marginal effect on the final value. A pre-tax rate of 6%, reflecting the current market assessments of the time value of money and risks specific to the liability, were used.

##### Landfill closure and rehabilitation

Landfill operations continue until all the available permitted airspace has been filled. Once this happens, the site close and is capped with a layer of impermeable clay and a layer of the top soil. Grass and other suitable vegetation types are planted to stabilize the soil and improve the appearance. Environmental monitoring continues for a period of up to 30 years after the closure of the site.

No appointment for the closure of the sites has been made, and therefore only rough estimates have been compiled without site visits and no detailed inspections or investigations. Total cost and estimated date of decommissioning of the sites are as follows:

<b>2014</b>	<b>Estimated decommission year</b>	<b>Estimated cost</b>
Springbok	2021	1 594 606
Bergsig	2023	5 761 122
Nababeep	2020	1 903 377
Steinkopf	2023	3 905 583
Kamaggas	2018	1 945 735
Concordia	2020	1 326 155
Bulletrap	2020	593 968
Rooiwal	2011	2 608 051
Vioolsdrif	2011	820 631
		<b>20 459 228</b>

  

<b>2013</b>	<b>Estimated decommission year</b>	<b>Estimated cost</b>
Bergsig	2023	2 930 246
Nababeep	2020	1 117 738
Steinkopf	2023	1 905 090
Kamaggas	2018	1 146 140
Concordia	2020	708 047
Bulletrap	2020	287 029
Rooiwal	2011	2 460 425
Vioolsdrif	2011	774 180
		<b>11 328 895</b>

#### 17.2 Staff leave provision

Staff leave accrued to employees according to the signed collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. Annual leave accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year end, based on the value of statutory and non-statutory leave.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2014

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### 17. PROVISIONS (continued)

#### 17.3 Staff bonus provision

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle.

#### 17.4 Long service award obligation

An actuarial valuation has been performed of the municipality's liability for long-service leave benefits relating to vested leave benefits to which employees may become entitled upon completion of 10 years' service and every five years thereafter.

The provision is utilised when eligible employees receive the value of the vested benefits. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. Long service benefits are awarded in the form of leave days and a percentage of salary. Awarded leave days have been converted into a percentage of the employee's annual salary. The conversion is based on a 250 working day year. The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

The two most important financial variables used in our valuation are the discount rate and salary inflation. The following values for these variables have been assumed in the determination of the liability:

#### Financial Variable

Discount Rate	7.96%	7.40%
CPI (Consumer Price Inflation)	6.33%	5.66%
Normal Salary Increase Rate	7.33%	6.66%
Net Effective Discount Rate	0.59%	0.69%

The discount rate was set as the yield of the R208 South African government bond as at the valuation date. The actual yield on the R208 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

#### Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 government bonds was sourced from the RMB Global Markets website. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2014 of 6.79%. The next salary increase was assumed to take place on 01 July 2015.

#### Long service award obligation reconciliation

Opening balance	2 943 000	2 652 000
Current service cost	291 000	262 000
Interest cost	215 000	211 000
Benefits paid	(104 072)	(378 000)
Actuarial loss (gain)	815 072	196 000
	<b>4 160 000</b>	<b>2 943 000</b>

### 18. UNSPENT CONDITIONAL PUBLIC CONTRIBUTIONS AND RECEIPTS

This grant was used for groundwater investigations in the Buffelsrivier area.

Opening balance	40 362	40 362
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# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
<b>19. CONSUMER DEPOSITS</b>		
WATER CONSUMER DEPOSITS	1 047 564	952 712
ELECTRICITY CONSUMER DEPOSITS	535 628	505 724
	<b>1 583 192</b>	<b>1 458 436</b>

Deposits are released when the owner/occupant of a property terminates the contract with the municipality to supply water and electricity to the property, or when certain contractual services are delivered.

### 20. TOTAL

Annuity Loans - At Amortised Cost	3 415 420	5 017 871
Current portion transferred to Current Liabilities	(2 068 071)	(2 158 268)
	<b>1 347 349</b>	<b>2 859 603</b>

The municipality holds a number of loans with the Development Bank of Southern Africa (DBSA). The loans have varied repayment terms as well as interest rates. The loans are unsecured and bearing interest at fixed rates ranging between 5% and 17,35% per annum, repayable semi-annually in equal instalments of capital, with interest payable on the reducing balance. These loans have various final redemption dates, ranging from 31 December 2014 to 1 March 2017.

During the current year, there were no defaults and breaches on the loan agreements. The municipality also did not enter into any renegotiations of repayment of these loans with DBSA.

#### Minimum future payments on annuity loans

Payable within 1 year	2 068 071	2 158 268
Payable within 2 to 5 years	1 347 349	2 859 603
Payable after 5 years	-	-
	<b>3 415 420</b>	<b>5 017 871</b>

### 21. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	113 089 230	69 821 945
Other creditors	4 619 596	4 225 365
Estimated electricity consumption	4 334 835	3 363 150
Retentions	688 607	709 278
Deposits- other	8 075	30 936
	<b>122 740 343</b>	<b>78 150 674</b>

Payables are being recognised net of any discounts.

Most payables are not being paid within 30 days as prescribed by the Municipal Financial Management Act (MFMA). This credit period granted is not considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary though.

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

Sundry deposits include Builders and Library deposits.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2014 2013

### 22. REVENUE

Service charges	102 891 507	94 434 002
Rental of facilities and equipment	723 999	2 041 159
Income from agency services	1 138 175	1 162 730
Licences and permits	1 161 080	1 131 245
Interest on arrear rates	3 385 993	2 391 014
Other income	1 903 026	3 520 066
Interest received - investment	706 901	797 489
Property rates	28 344 482	21 143 179
Government grants & subsidies	66 470 205	62 056 683
Fines	211 367	132 107
Actuarial gain	3 576 977	1 569 700
	<b>210 513 712</b>	<b>190 379 374</b>

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

Service charges	102 891 507	94 434 002
Rental of facilities and equipment	723 999	2 041 159
Income from agency services	1 138 175	1 162 730
Licences and permits	1 161 080	1 131 245
Interest on arrear accounts	3 385 993	2 391 014
Other income	1 903 026	3 520 066
Interest received - investment	706 901	797 489
	<b>111 910 681</b>	<b>105 477 705</b>

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

##### Taxation revenue

Property rates	28 344 482	21 143 179
----------------	------------	------------

##### Transfer revenue

Government grants & subsidies	66 470 205	62 056 683
Fines	211 367	132 107
Actuarial gain	3 576 977	1 569 700

**98 603 031 84 901 669**

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2014 2013

### 23. PROPERTY RATES

#### Rates received

Property rates	28 344 482	21 143 179
----------------	------------	------------

#### Valuations

Residential	1 419 116 478	1 419 116 478
Commercial	416 835 328	416 835 328
State	23 349 345	23 349 345
Municipal	10 121 773	10 121 773
Small holdings and farms	561 342 440	561 342 440
	<b>2 430 765 364</b>	<b>2 430 765 364</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

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

#### Type of property

Residential	0.01617c/R
Commercial	0.01704c/R
Agricultural	0.00062c/R
State	0.01704c/R

#### Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential and Commercial	The first R15 000 on the valuation is exempted.
Indigents	33.33 %
Pensioners	33.33 %

### 24. SERVICE CHARGES

Sale of electricity	62 182 019	59 524 757
Sale of water	25 062 407	21 008 291
Sewerage and sanitation charges	6 849 247	5 927 148
Refuse removal	8 797 834	7 973 806
	<b>102 891 507</b>	<b>94 434 002</b>

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

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2014 2013

### 25. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	33 821 000	32 468 000
Other grants	32 649 205	29 588 683
	<b>66 470 205</b>	<b>62 056 683</b>

#### Conditional and Unconditional

The municipality does not foresee a significant decrease in the level of grant funding. Included in above are the following grants and subsidies received:

Conditional grants received	32 649 205	29 588 683
Unconditional grants received	33 821 000	32 468 000
	<b>66 470 205</b>	<b>62 056 683</b>

#### Equitable Share

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

#### DWAF: ACIP

Current-year receipts	828 635	4 275 073
Conditions met - transferred to revenue	(828 635)	(4 275 073)
	-	-

Conditions still to be met - remain liabilities (see note 16). The balance has not been spent.

#### DWAF: WSACDBP

Balance unspent at beginning of year	510 747	510 747
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>510 747</b>	<b>510 747</b>

#### Tourism

Balance unspent at beginning of year	36 558	36 558
--------------------------------------	--------	--------

Conditions still to be met - remain liabilities (see note 16). The balance has not been spent.

The grant was used for tourism activities.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2014 2013

### 25. GOVERNMENT GRANTS AND SUBSIDIES (continued)

#### District Municipality - Various Projects

Balance unspent at beginning of year	540 670	540 670
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Conditions still to be met - remain liabilities (see note 16). The balance has not been spent.

The grant was used for various projects in the Nama Khoi jurisdiction.

#### LGSETA Grants

Balance unspent at beginning of year	-	-
Current-year receipts	96 938	33 664
Conditions met - transferred to revenue	(96 938)	(33 664)
	<u>-</u>	<u>-</u>

The grant was used for skills development.

#### Project: Swimming pool

Balance unspent at beginning of year	450 000	-
Current-year receipts	-	450 000
Conditions met - transferred to revenue	-	-
	<u>450 000</u>	<u>450 000</u>

Conditions still to be met - remain liabilities (see note 16).

#### DME: Electrification

Balance unspent at beginning of year	(8 403 409)	-
Current-year receipts	12 000 000	-
Conditions met - transferred to revenue	(3 596 591)	-
	<u>-</u>	<u>-</u>

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

Refer to note 10 for the prior year grant reconciliation.

#### DME: M/Kloof Electrification

Balance unspent at beginning of year	127 546	-
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(72 235)	(872 454)
	<u>55 311</u>	<u>127 546</u>

Conditions still to be met - remain liabilities (see note 16).

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Figures in Rand	2014	2013
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### 25. GOVERNMENT GRANTS AND SUBSIDIES (continued)

#### Housing Grant

Balance unspent at beginning of year	3 404 759	1 758 596
Current-year receipts	3 898 214	3 359 266
Conditions met - transferred to revenue	(3 726 476)	(1 713 103)
	<b>3 576 497</b>	<b>3 404 759</b>

Conditions still to be met - remain liabilities (see note 16). The balance has not been spent.

The Housing grant was utilised for the development of erven and the erection of top structures.

#### District Municipality - World Cup 2010

Balance unspent at beginning of year	52 139	52 139
--------------------------------------	--------	--------

Conditions still to be met - remain liabilities (see note 16). The balance has not been spent.

The grant was used to finance World Cup 2010 activities.

#### Sport Development Grant

Balance unspent at beginning of year	308 500	308 500
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Conditions still to be met - remain liabilities (see note 16). The balance has not been spent.

The grant was used to upgrade sportfields.

#### District Municipality - Fire Equipment

Balance unspent at beginning of year	52 264	52 264
--------------------------------------	--------	--------

Conditions still to be met - remain liabilities (see note 16). The balance has not been spent

The grant was used to upgrade fire equipment.

#### Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	5 176	-
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(895 176)	(794 824)
	<b>-</b>	<b>5 176</b>

Conditions still to be met - remain liabilities (see note 16). The balance has not been spent.

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.



# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2014 2013

### 25. GOVERNMENT GRANTS AND SUBSIDIES (continued)

#### Library Grant

Balance unspent at beginning of year	705 511	766 754
Current-year receipts	1 089 000	588 000
Conditions met - transferred to revenue (operating)	(748 221)	(607 569)
Conditions met - transferred to revenue (capital)	-	(41 674)
	<b>1 046 290</b>	<b>705 511</b>

Conditions still to be met - remain liabilities (see note 16). The balance has not been spent.

The grant was used for library activities.

#### EPWP Grant

Current-year receipts	1 268 440	1 000 000
Conditions met - transferred to revenue	(1 268 440)	(748 411)
	-	(251 589)
	<b>-</b>	<b>-</b>

The EPWP Grant was used for job creation.

#### Local Government Financial Management Grant (FMG)

Balance unspent at beginning of year	2 508	-
Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 552 508)	(1 497 492)
	<b>-</b>	<b>2 508</b>

Conditions still to be met - remain liabilities (see note 16).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	12 824 404	10 842 436
Current-year receipts	21 500 000	16 088 000
	-	(3 778 000)
Other	(19 863 986)	(10 328 032)
	<b>14 460 418</b>	<b>12 824 404</b>

Conditions still to be met - remain liabilities (see note 16). The balance has not been spent.

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
<b>26. OTHER REVENUE</b>		
Sundry income	1 903 026	3 520 066
<b>27. GENERAL EXPENSES</b>		
Accounting fees	605 411	1 454 036
Advertising	493 304	285 604
Auditors remuneration	2 585 263	2 816 723
Bank charges	409 155	511 222
Cleaning	1 749 459	299 364
Commission paid	471 408	353 309
Computer expenses	51 904	-
Consulting and professional fees	5 760 212	2 265 044
Consumables	23 054	-
Entertainment	9 451	16 780
Animal Costs	42 367	16 096
Insurance	360 614	443 126
Community development and training	1 690 789	3 531 565
Conferences and seminars	-	2 570
Medical expenses	-	40 934
Fuel and oil	3 653 508	3 623 258
Recruitment fees	87 283	67 075
Postage and courier	505 527	518 539
Printing and stationery	1 246 984	344 021
Protective clothing	74 960	-
Royalties and license fees	154 004	707 369
Security (Guarding of municipal property)	-	222 958
Staff welfare	85 519	117 728
Subscriptions and membership fees	1 074 933	517 904
Telephone and fax	1 437 708	2 100 170
Subsidy free basic service	2 889 247	-
Training	1 066 100	780 787
Travel - local	1 061 334	1 892 547
Refuse	22 130	30 357
Assets expensed	89 589	34 455
Electricity	2 198 310	1 618 737
Water	7 480 171	-
Uniforms	231 055	22 261
Special programmes	174 752	-
Audit committee expense	244 119	308 559
Other expenses	3 811 298	2 507 436
Housing expenditure	3 850 713	-
Travelling and subsistence	920 258	-
Administration charge	434 390	-
Test station	46 904	50 344
Chemicals	157 317	-
Increase in landfill provision	9 150 876	702 233
	<b>56 401 380</b>	<b>28 203 111</b>

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2014 2013

### 28. OPERATING DEFICIT

Operating deficit for the year is stated after accounting for the following:

Impairment on trade and other receivables	24 480 459	1 012 794
Loss on sale of non-current assets held for sale	(128 938)	-
Amortisation on intangible assets	50 614	25 857
Depreciation on property, plant and equipment	38 320 666	37 241 757
Depreciation on investment property	11 097	11 097
Employee costs	75 679 060	67 651 127

### 29. EMPLOYEE RELATED COSTS

Basic	47 343 395	39 510 781
Bonus	3 327 229	3 291 201
Medical aid - company contributions	1 688 813	1 068 568
UIF	462 312	390 901
Leave pay provision charge	842 057	1 938 455
Post-employment benefits - Pension Fund contribution	6 122 045	5 491 249
Travel, motor car, accommodation, subsistence and other allowances	5 567 101	5 428 450
Overtime payments	2 964 105	2 610 139
Long-service awards - current cost	-	36 403
Acting allowances	52 594	-
Transport allowance	1 800	-
Housing benefits and allowances	272 796	310 402
Interest on employee benefits obligations	1 490 000	1 465 300
Current service cost	1 099 000	1 424 400
	<b>71 233 247</b>	<b>62 966 249</b>

### 30. REMUNERATION OF COUNCILLORS

Councillors	4 445 813	4 684 878
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Councillors in this note are remunerated according to the Remuneration of Public Office Bearers Act, Act 20 of 1998) and are disclosed not individually but in aggregate and have no executive powers for planning, directing and controlling the activities of the municipality.

### 31. INVESTMENT REVENUE

#### Interest revenue

Bank	706 901	797 489
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### 32. DEPRECIATION AND AMORTISATION

Property, plant and equipment	38 320 666	37 241 757
Investment property	11 097	11 097
Intangible assets	50 614	25 857
	<b>38 382 377</b>	<b>37 278 711</b>

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<b>33. IMPAIRMENT OF ASSETS</b>		
<b>Impairments</b>		
Inventories	295 730	352 153
Trade and other receivables	24 480 459	1 012 794
	<b>24 776 189</b>	<b>1 364 947</b>
<b>34. FINANCE COSTS</b>		
Other interest paid	4 991 650	2 703 825
<b>35. AUDITORS' REMUNERATION</b>		
Fees	2 585 263	2 816 723
<b>36. RENTAL OF FACILITIES AND EQUIPMENT</b>		
<b>Facilities and equipment</b>		
Rental of facilities	484 589	1 843 601
Rental agricultural land	239 410	197 558
	<b>723 999</b>	<b>2 041 159</b>
<b>37. CONTRACTED SERVICES</b>		
Fleet Services	441 624	-
Other Contractors	1 557 679	614 165
	<b>1 999 303</b>	<b>614 165</b>
<b>38. BULK PURCHASES</b>		
Electricity	53 959 758	50 560 267
Water	27 452 389	23 952 872
	<b>81 412 147</b>	<b>74 513 139</b>

Electricity - included in bulk purchases are the technical and non technical losses of R9,050,939 (2013; R8,493,237).

Water - included in bulk purchases are the technical and non technical losses of R8,107,781 (2013; R5,494,571).

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<b>39. CASH GENERATED FROM OPERATIONS</b>		
Deficit	(80 130 823)	(27 960 895)
<b>Adjustments for:</b>		
Depreciation and amortisation	38 382 377	37 278 711
Surplus on sale of non-current assets	(128 938)	-
Impairment deficit	24 776 189	1 364 947
Movements in operating lease assets and accruals	204 823	(31 862)
Movements in retirement benefit liabilities	(1 687 403)	432 000
Movements in provisions	10 501 486	2 621 229
Stock losses	(229 935)	(352 165)
Provision for doubtful debtors adjustment	(24 815 660)	(177 694)
<b>Changes in working capital:</b>		
Inventories	(39 888)	229 990
Receivables from exchange transactions	3 512 718	(12 998 670)
Other receivables from non-exchange transactions	1 633 679	(1 502 213)
Unpaid conditional government grants and receipts	8 403 409	(8 403 409)
Payables from exchange transactions	44 589 676	40 451 080
VAT	2 640 933	(10 400 704)
Unspent conditional grants and receipts	2 068 612	630 729
Consumer deposits	124 756	75 302
	<b>29 806 011</b>	<b>21 256 376</b>

## 40. COMMITMENTS

### Authorised capital expenditure

#### Already contracted for but not provided for

☒ Infrastructure	73 140 257	14 102 999
☒ Community	-	12 354 218
	<b>73 140 257</b>	<b>26 457 217</b>

### Authorised operational expenditure

☒ Operational expenditure	1 408 689	3 728 054
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This committed expenditure relates to contracts that have been issued by the municipality and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, funds internally generated, etc.

# Nama Khoi Local Municipality

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### 41. RELATED PARTIES

#### Relationships

Municipal manager and section 57 managers

NA Baartman  
NP Mdaka  
J Mapanka  
BS Lenkoe

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents. The outstanding balances are all current (none is above 90 days) and none is impaired.

#### 2014 - Transactions with Councillors

	Rates	Service charges	Other	Outstanding balance
EF Maritz	3 638	5 108	-	683
FX Cupido	3 131	5 401	1 752	821
V Van Dyk	9 767	33 965	-	(1 480)
S Kleinbooi	1 770	8 614	161	849
G Cloete	3 697	5 481	2 068	1 727
SD Hoskin	72	3 525	-	313
WJ Goedenman	1 063	1 448	-	213
AM Magerman	-	4 851	-	322
SJC van Wyk	868	5 376	-	526
JC Losper	9 044	9 652	-	2 793
WS Jordaan	20 363	17 340	-	4 700
GJ Coetzee	2 062	5 230	-	479
J F van Wyk	1 049	1 358	-	397
L F Faber	1 051	3 758	-	88
S.C. Lubbe	13 922	12 539	-	2 002
	<b>71 497</b>	<b>123 646</b>	<b>3 981</b>	<b>14 433</b>

#### 2014 - Municipal Manager and Section 57 Employees

	Rates	Service charges	Other	Outstanding balance
NA Baartman	4 596	6 862	-	-
M Booyesen	1 005	5 519	-	449
J S Cloete	3 690	7 529	-	688
C Bonn	970	5 181	849	711
A Beukes	18 952	22 986	-	3 176
R Hartley	6 549	6 446	-	1 066
	<b>35 762</b>	<b>54 523</b>	<b>849</b>	<b>6 090</b>

#### 2013 - Transactions with Councillors

	Rates	Service charges	Other	Outstanding balance
KR Groenewald	2 359	3 234	1 245	447
EF Maritz	3 371	4 397	618	2 901
FX Cupido	2 901	4 628	1 602	740
V van Dyk	9 048	18 512	-	1 960
S Kleinbooi	1 639	7 561	-	772
G Cloete	3 425	5 650	1 879	1 898
SD Hoskin	67	3 358	-	255
WJ Goedeman	985	1 441	-	68
AM Magerman	-	4 254	-	303
SJC van Wyk	804	3 753	-	314
JC Losper	8 603	9 192	-	1 288
WT Cloete	860	563	-	-
WS Jordaan	18 864	13 347	-	2 584
GJ Coetzee	1 910	5 991	-	516

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### 41. RELATED PARTIES (continued)

	<b>54 836</b>	<b>85 881</b>	<b>5 344</b>	<b>14 046</b>
<b>2013 - Municipal Manager and Section 57 Employees</b>	<b>Rates</b>	<b>Service charges</b>	<b>Other</b>	<b>Outstanding balance</b>
NA Baartmen	5 678	8 685	-	882
M Booysen	931	4 707	-	447
JS Cloete	3 418	6 098	-	636
C Bonn	898	4 333	772	546
A Beukes	17 557	22 949	-	3 023
R Hartley	6 067	7 431	-	1 112
	<b>34 549</b>	<b>54 203</b>	<b>772</b>	<b>6 646</b>

### Remuneration of management

<b>2014</b>	<b>Annual remuneration (basic)</b>	<b>Car allowance</b>	<b>Employer contributions</b>	<b>Others allowances</b>	<b>Total</b>
Mayor (July 2013 to March 2014) - SW Lubbe	358 533	119 511	-	14 783	492 827
Mayor (April 2014 to June 2014) - JF Van Wyk	118 324	42 948	10 525	5 289	177 086
Speaker (July 2013 to March 2014) - JC Losper	244 684	93 796	36 703	14 281	389 464
Speaker (April 2014 to June 2014) - LF Faber	88 412	32 277	8 420	4 968	134 077
Municipal Manager (July 2013 to March 2014) - NA Baartman	626 973	99 572	98 918	139 950	965 413
Chief Financial Officer - NP Mdaka	714 895	180 000	25 738	4 190	924 823
Corporate and Human Resources - JP Mapanka	632 371	96 728	148 658	5 746	883 503
	<b>2 784 192</b>	<b>664 832</b>	<b>328 962</b>	<b>189 207</b>	<b>3 967 193</b>

<b>2013</b>	<b>Annual remuneration (basic)</b>	<b>Car allowance</b>	<b>Employer contributions</b>	<b>Others allowances</b>	<b>Total</b>
Mayor (July 2013 to March 2014) - SW Lubbe	518 233	-	-	-	518 233
Mayor (July 2013 to March 2014) - WT Cloete	111 483	-	-	-	111 483
Speaker (July 2013 to March 2014) - JC Losper	548 892	-	-	-	548 892
Municipal Manager (July 2013 to March 2014) - NA Baartman	736 398	132 000	124 115	-	992 513
Chief Financial Officer - NP Mdaka	638 194	160 000	13 483	7 666	819 343
Corporate and Human Resources - JP Mapanka	530 260	96 000	107 032	99 159	832 451
	<b>3 083 460</b>	<b>388 000</b>	<b>244 630</b>	<b>106 825</b>	<b>3 822 915</b>

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### 42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified.

Reclassifications and errors are disclosed in note 43.

### 43. PRIOR PERIOD ERRORS

#### 43.1 Change in accounting policy

None.

#### 43.2 Reclassification

Certain comparative figures have been reclassified.

#### Provisions

The provision relating to landfill site rehabilitation was all disclosed as long term obligation in the prior year. The current portion of R3 234 605 has been determined and reclassified.

#### Employee cost

The remuneration of the Mayor, Speaker, Chief Financial Officer and Corporate and Human Resources was disclosed separately in the prior year. In the current year the the whole remuneration cost has been reclassified and disclosed in general employee related costs.

#### Receivables from non-exchange transactions

Amounts relating of R1 962 was reclassified to payables from exchange transactions from receivebles from exchanges transactions.

#### Revenue

An amount of R1 652 006 was reclassified from Interest received (investments) to "Interest on arrear debtors".

#### Expenditure

An amount of R567 113 was reclassified from employee costs to General expenses.

An amount of R5 941 439 was reclassified from Grants and subsidies paid to General expenses.

An amount R73 490 was reclassified from General expenses to Repairs and Maintenance.



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### 43. PRIOR PERIOD ERRORS (continued)

#### 43.3 Prior period restatements

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality as a result of prior period errors identified in the current year.

#### Payables from exchange transactions

An amount of R3 043.53 relating to telephone expense was incorrectly debited to accruals in the prior year.

An amount of R2 185 relating to items of Property, Plant & Equipment which was physically received but not invoiced had been incorrectly credited to accumulated surplus instead of payables.

An amount of R1 048 946.95 was adjusted downwards based on reconciliations performed with the supplier.

#### Inventory

A R12.37 relating to stock losses for the prior year was incorrectly processed in the accounting records.

#### Receivables from exchange transactions

Some cheques that had been used to pay service debtors during the year were returned as "unpaid". The RD cheques affected the following service debtors:

Water service debtors	R8 076.01
Sewerage service debtors	R1 664.38
Refuse service debtors	R2 980.10
Grazing fee debtors	R 136.63
Electricity service debtors	R19 152.73

#### Receivables from non-exchange transactions

Some cheques that had been used to pay service debtors during the year were returned as "unpaid". The RD cheques affected the following service debtors:

Rates service debtors	R18 978.64
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The motor vehicle licence receivable was adjusted by R13 318.

#### Unspent conditional grants and receipts

Expenditure relating to ACIP grant funding that was incurred in the prior year which was not recognised as revenue in the prior year. The amount involved is R282 804.89 which has been taken to revenue and also reduced the Unspent conditional grants and receipts.

#### Payables from exchange transactions

Amounts contributed by the municipality to the indigent population which has been incorrectly recorded over the years. The sum of the balance is R46 469.04

An adjustment to unidentified deposits of R180 438 was made which reduced the balance due to incorrect entries.

An adjustment of R265 to other creditors was required but had not been processed into the accounting records.

#### Revenue

An amount of R15 879, 51 relating to actuarial gain on the long service bonus which was not recognised in the prior year.

An amount of R288 705 amounting to motor vehicle registrations was incorrectly recorded.

An amount of R33 554 relating to interest had not been recognised in the correct period.

#### Employee cost

An amount of R15 879, 51 relating to long service bonus was incorrectly included in the expenditure in the prior year.

#### Property, Plant & Equipment - Loose assets

Loose assets amounting to R 3 262.77 were written-off in the prior year but the journal entry was not processed in the accounting records.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

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### 43. PRIOR PERIOD ERRORS (continued)

Correction to the asset register has resulted in an adjustment to the carrying value of R1 628 048.

#### Intangible assets

Certain intangible assets were depreciated over 7 years instead of 5 years as per the policy. The correction of the depreciation has resulted in R1 198.62 additional depreciation for the prior year.

#### Property, Plant & Equipment - Infrastructure assets

Infrastructure assets were unbundled and componentised and this led to an increase in the carrying value by R195 999 435.

Additional depreciation due to unbundling of R18 220 953.

#### Property, Plant & Equipment - Community assets

Community assets were unbundled and componentised and this led to an increase in the carrying value by R63 340 310.

Additional depreciation due to unbundling of R3 411 022.

#### Inventory

Water was incorrectly valued by R80 200.64

#### Payables from exchange transactions

Pension fund contributions amounting to R248.22 were incorrectly included.

Presented below are only those items contained in the statement of financial position and the statement of financial performance that have been affected by the prior-year adjustments:

#### Statement of financial position

	As previously reported	Correction of errors	Total
Inventory	1 094 648	80 201	1 174 849
Receivables from non-exchange transactions	6 371 694	(32 297)	6 339 397
Receivables from exchange transactions	18 084 871	33 972	18 118 843
Property, plant and equipment	385 931 126	239 332 552	625 263 678
Intangible assets	145 806	(1 417)	144 389
Payables from exchange transactions	79 367 232	(1 216 558)	78 150 674
Unspent conditional grants and receipts	19 303 587	(282 805)	19 020 782
Accumulated surplus	300 267 287	240 945 928	541 213 215
	<b>810 566 251</b>	<b>478 859 576</b>	<b>1 289 425 827</b>

#### Statement of Financial Performance - Revenue

	As previously reported	Correction of errors	Total
Licences and permits	1 120 706	10 539	1 131 245
Miscellaneous other revenue	739 009	1 652 005	2 391 014
Interest received - investment	2 415 941	1 104 125	3 520 066
Government grants & subsidies	61 773 878	282 805	62 056 683
Actuarial gain / ( loss)	1 569 700	(15 880)	1 553 820
	<b>67 619 234</b>	<b>3 033 594</b>	<b>70 652 828</b>

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### 43. PRIOR PERIOD ERRORS (continued)

#### Statement of Financial Performance - Expenditure

	As previously reported	Correction of errors	Total
Personnel costs	63 517 482	(567 113)	62 950 369
Depreciation and amortisation	15 624 571	21 654 140	37 278 711
Impairment loss/ Reversal of impairments	1 364 959	12	1 364 971
Repairs and maintenance	5 937 754	73 490	6 011 244
Grants and subsidies paid	5 941 439	(5 941 439)	-
General Expenses	21 777 622	6 425 489	28 203 111
	<b>114 163 827</b>	<b>21 644 579</b>	<b>135 808 406</b>

#### Accumulated surplus

Balance as previously reported	-	(300 267 287)
Telephone cost not previously reported	-	3 044
Accrual not raised in the prior year	-	2 185
Stock losses incorrectly processed in the prior year	-	12
ACIP grant expenditure which was not recognised as income in the prior year	-	(282 805)
Mayoral charity ball donations not previously recognised as income	-	(46 469)
Correction of actuarial gain on the long service bonus obligation	-	15 880
Reduction of long service bonus expense	-	(15 880)
Loose assets written off	-	3 263
Correction of intangible assets depreciation	-	1 417
Adjustment to carrying value of infrastructure assets due to unbundling	-	(195 999 435)
Additional depreciation due to unbundling of infrastructure assets	-	18 220 953
Adjustment in carrying value due to unbundling of community assets	-	(63 340 310)
Additional depreciation due to unbundling of community assets	-	3 411 022
Correction on loose assets	-	(1 628 048)
Correction of water valuation	-	80 201
Correction of pension fund contribution	-	248
Corrections to motor vehicle licences	-	(288 705)
Interest accrual	-	(33 554)
Payables from exchange transactions	-	(1 048 947)
<b>Restated balance</b>		<b>- (541 213 215)</b>

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### 44. RISK MANAGEMENT

#### Financial risk management

Exposure to currency, interest rate, liquidity and credit risk arises in the normal course of the municipality's operations. This note presents information about the municipality's exposure to each of the above risks, its policies and processes for measuring and managing risk, and the municipality's management of capital. Further quantitative disclosures are included throughout these financial statements.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officers. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officers provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. To enable the Audit Committee to comply with their role and responsibilities with regard to risk management, all documentation and reports of the municipality's treasury department meetings are supplied to the Audit Committee on a regular basis.

The accounting policy for financial instruments was applied to the following items in the statement of financial position:

#### Financial assets

Long-term receivables	471 819	493 987
Receivables from exchange and non-exchange transactions	19 588 334	24 458 240
Cash and cash equivalents	19 223 904	12 090 655
	<b>39 284 057</b>	<b>37 042 882</b>

#### Financial liabilities

Borrowings (long term loan)	3 415 421	5 017 873
Payables from exchange transactions	123 811 638	79 199 621
Consumer deposits	1 583 192	1 458 436
Finance lease liability	338 982	517 670
	<b>129 149 233</b>	<b>86 193 600</b>

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### 44. RISK MANAGEMENT (continued)

#### Liquidity risk

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.

An average of 13% receivable (own billed) income is realised within 30 days after the due date, and payables are settled within 30 days of invoice. National and provincial grant funding is received in terms of the Division of Revenue Act (DoRA).

The following are contractual liabilities of which interest is included in borrowings:

At 30 June 2014	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Borrowings - capital repayments	1 969 986	1 344 181	-	-
Borrowings - interest	293 984	94 074	-	-
Trade and other payables	123 811 638	-	-	-
Finance lease liability	119 223	219 760	-	-

  

At 30 June 2013	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Borrowings - capital repayments	1 996 198	2 861 644	-	-
Borrowings - interest	507 789	265 277	-	-
Trade and other payables	79 325 997	-	-	-
Finance lease liability	147 915	369 755	-	-

# Nama Khoi Local Municipality

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### 44. RISK MANAGEMENT (continued)

#### Credit risk

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

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 30 June was as follows:

Financial instrument	2014	2013
Long-term receivables – see note 8	471 818	493 987
Receivables and other receivables – see note 11 and 13	19 588 334	24 458 240
Cash and cash equivalents – see note 14	19 223 904	12 090 655

#### Cash and cash equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and within specific guidelines set in accordance with Council's approved investment policy. Consequently, the municipality does not consider there to be any significant exposure to credit risk.

#### Long-term receivables

Loans are granted and managed in accordance with policies and regulations as set out in note 8. The associated interest rates and repayments are clearly defined and, where appropriate, the municipality obtains certain suitable forms of security when granting loans. Allowances for impairment are made in certain instances.

#### Services Receivables

Receivables are amounts owing 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. 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 strategy for managing its risk includes encouraging residents to install water management devices that control water flow to households, as well as prepaid electricity meters. In certain instances, a deposit is required for new service connections, serving as a guarantee.

The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers and not concentrated in any particular sector or geographic area. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. The outstanding amounts of the ten largest debtors represent 22% (2013: 17%) of the total outstanding balance. Consumer debtors with a demonstratable inability to pay are encouraged to apply for potential indigent status as an ongoing customer relationship strategy as well as to enable the municipality to make adequate provision for such relief.

#### Market risk

Market risk is the risk of changes in market prices, such as foreign exchange rates and interest rates, affecting the entity's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

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### 44. RISK MANAGEMENT (continued)

#### Interest rate risk

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

#### Interest rate sensitivity analysis - Financial assets

As at 30 June 2014, if the weighted interest rate at that date had been 100 basis points higher, with all other variables held constant, the fair-value impact on the statement of financial performance would have been R347 281, with the opposite effect if the interest rate had been 100 basis points lower.

#### Interest rate sensitivity analysis - Financial liabilities

As at 30 June 2014, if the interest rate at that date had been 100 basis points higher or lower, with all the other variables held constant, the fair-value liability would have no impact, as all borrowings are at a fixed interest rate.

#### Foreign exchange risk

The municipality is exposed to foreign-currency risk through the importation of goods and services, either directly or indirectly, through the award of contracts to local importers. The municipality manages any material direct exposure to foreign-currency risk by entering into forward exchange contracts. The municipality manages its indirect exposure by requiring the local importer to take out a forward exchange contract at the time of procurement, in order to predetermine the rand value of the contracted goods or services. The municipality was not a direct party to any outstanding forward exchange contracts at the reporting date. The movement in the currency was not material to the municipality's procurement and, consequently, is not elaborated on any further.

#### Price risk

The municipality is not exposed to price risk.

### 45. EVENTS AFTER THE REPORTING DATE

The Municipality is not aware of any events after the reporting date which require disclosure or adjustment to the annual financial statements..

### 46. UNAUTHORISED EXPENDITURE

Opening balance	110 851 103	89 765 621
Unauthorised expenditure - operational	82 601 658	21 085 482
Unauthorised expenditure - capital	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
	<b>193 452 761</b>	<b>110 851 103</b>

### 47. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	4 189 354	1 989 096
Fruitless and wasteful expenditure current year	8 498 098	2 200 258
	<b>12 687 452</b>	<b>4 189 354</b>

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand	2014	2013
<b>48. IRREGULAR EXPENDITURE</b>		
Opening balance	25 198 228	17 089 438
Add: Irregular Expenditure - current year	84 128 376	8 108 790
Less: Amounts condoned	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	<b>109 326 604</b>	<b>25 198 228</b>

## 49. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

### Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	60 406	400 000
Amount paid - current year	(60 406)	(400 000)
Amount paid - previous years	-	-
	<b>-</b>	<b>-</b>

### Material losses

Material non technical losses relates to water and electricity revenues forgone due to inability of the municipality to identify the users. The total of technical and non technical losses is disclosed on note 38.

### Audit fees

Current year subscription / fee	2 585 263	2 816 723
Amount paid - current year	(2 585 263)	(2 816 723)
	<b>-</b>	<b>-</b>

### PAYE and UIF

Opening balance	554 168	514 696
Current year subscription / fee	8 248 800	6 739 539
Amount paid - current year	(8 248 800)	(6 185 371)
Amount paid - previous years	(554 168)	(514 696)
	<b>-</b>	<b>554 168</b>

### Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	11 981 743	10 846 729
Amount paid - current year	(11 969 706)	(10 846 729)
Amount paid - previous years	-	-
	<b>12 037</b>	<b>-</b>

A Pension Fund contribution for one of the employees is paid by debit order. The amount paid by debit order was less than the deduction processed through payroll.



# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand 2014 2013

### 49. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

#### VAT

VAT receivable 6 979 114 9 620 047

VAT output payables and VAT input receivables are shown in note 12.

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

#### Supply chain management regulations

As per section 45 of the MFMA SCM regulations, awards to close family members of persons in the service of the state the notes to the annual financial statements of a municipality must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state in the previous 12 months indicating:

- The name of that person
- The capacity in which that person is in the service of the state/municipality; and
- The amount of the award.

Supplier	Name of the person	Capacity of the person in the service of state	Relationship	Award amount
Boesmanland Werkswinkel	Izak Jenner	Employed by Kamiesberg Municipality	Director and Member of entity	280 687
Rosy Kitchen	A Louw	HR Manager at Nama Khoi Municipality	Daughter of owner	15 000
				<b>295 687</b>

#### Gifts, Inducements, favors and Sponsorships (SCM Regulation 47 & 48)

Suid - Kaap Waardeerders, a valuation service provider sponsored a Woman Day event for the municipality 10 000 -

### 50. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

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

### 51. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE

Refer to Appendix C for the comparison of actual operating expenditure versus budgeted expenditure.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

2014

2013

### 52. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

Type of Deviation	Single supplier	Impractical	Emergency	Value
July	4	60	2	623 587
August	2	58	3	799 860
September	3	107	2	912 637
October	1	74	2	789 380
November	8	86	2	709 343
December	8	41	9	577 732
January	7	47	5	438 305
February	14	67	2	490 691
March	8	34	1	224 761
April	5	43	2	348 178
May	7	57	4	414 601
June	7	50	3	428 744
	<b>74</b>	<b>724</b>	<b>37</b>	<b>6 757 819</b>

### 53. CONTINGENCIES

The municipality is currently engaged in litigation which could result in costs being awarded against Council if claimants are successful in their actions. The following are the estimates:

C Zandberg	-	60 000
J Carstens	-	60 000
P Lombard	-	65 000
Cornelissen Incorporation	573 020	-
	<b>573 020</b>	<b>185 000</b>

### 54. GOING CONCERN

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the municipality will continue to receive grant funding from National Treasury to support the ongoing operations of the municipality. In the recent past, the municipality has faced severe cash flow challenges due to poor collection rate of its service debtors. This has led to its inability to settle creditors within 30 days as prescribed by law.

# Nama Khoi Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Figures in Rand	2014	2013
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### 55. EXPENDITURE BY VOTE

#### Governance and administration

Executive and council	48 463 766
Budget and treasury office	26 556 995
Corporate services	23 244 397
	<hr/>
	<b>98 265 158</b>

#### Community and public safety

Community and social services	4 688 836
Sport and recreation	6 726 852
Public safety	7 922 108
Housing	-
Health	-
	<hr/>
	<b>19 337 796</b>

#### Economic and environmental services

Planning and development	-
Road transport	12 597 443
Environmental protection	-
	<hr/>

#### Trading services

Electricity	63 915 538
Water	40 088 259
Waste water management	6 047 155
Waste management	49 494 193
	<hr/>
	<b>159 545 145</b>

#### Miscellaneous

Other	1 028 476
	<hr/>

## Appendix A

### Schedule of external loans as at 30 June 2013

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 Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
Development Bank of South Africa		<b>6 532 447</b>	-	<b>1 547 956</b>	<b>4 984 491</b>	-	-
Bonds		-	-	-	-	-	-
Other loans		-	-	-	-	-	-
Lease liability		-	-	-	-	-	-
Annuity loans		-	-	-	-	-	-
Government loans		-	-	-	-	-	-
<b>Total external loans</b>		<b>6 532 447</b>	<b>-</b>	<b>1 547 956</b>	<b>4 984 491</b>	<b>-</b>	<b>-</b>

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings	15 778 009	-	-	-	-	-	15 778 009	(2 146 896)	-	-	(302 435)	-	(2 449 331)	13 328 678
Infrastructure	371 815 573	17 281 968	-	-	-	-	389 097 541	(46 513 014)	-	-	(11 817 439)	-	(58 330 453)	330 767 088
Community Assets	39 057 288	3 690 758	-	-	-	-	42 748 046	(6 829 537)	-	-	(1 241 904)	-	(8 071 441)	34 676 605

Land and buildings

Infrastructure

Community Assets

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2013

	Cost/Revaluation						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	15 421 396	574 908	-	58 073	-	-	16 054 377	(6 809 072)	-	-	(2 226 055)	-	(9 035 127)	7 019 250

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2013

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	442 072 266	21 547 634	-	58 073	-	-	463 677 973	(62 298 519)	-	-	(15 587 833)	-	(77 886 352)	385 791 621
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	44 567	135 901	-	-	-	-	180 468	(9 023)	-	-	(25 639)	-	(34 662)	145 806
Investment properties	372 000	-	-	-	-	-	372 000	(95 558)	-	-	(11 097)	-	(106 655)	265 345
<b>Total</b>	<b>442 488 833</b>	<b>21 683 535</b>	<b>-</b>	<b>58 073</b>	<b>-</b>	<b>-</b>	<b>464 230 441</b>	<b>(62 403 100)</b>	<b>-</b>	<b>-</b>	<b>(15 624 569)</b>	<b>-</b>	<b>(78 027 669)</b>	<b>386 202 772</b>

## Appendix B

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

	Cost/Revaluation						Accumulated depreciation						Carrying value Rand	
	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
Land and buildings	15 761 007	16 999	-	-	-	-	15 778 006	(1 844 461)	-	-	(302 436)	-	(2 146 897)	13 631 109
Infrastructure	353 634 570	18 181 003	-	-	-	-	371 815 573	(36 384 060)	-	-	(10 903 625)	-	(47 287 685)	324 527 888
Community Assets	35 778 944	3 278 344	-	-	-	-	39 057 288	(5 587 632)	-	-	(1 241 904)	-	(6 829 536)	32 227 752



## Appendix B

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

	Cost/Revaluation						Accumulated depreciation						Carrying value Rand	
	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
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	14 281 117	1 385 270	(244 990)	-	-	-	15 421 397	(4 856 235)	-	-	(2 145 610)	192 771	(6 809 074)	8 612 323

## Appendix B

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

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

Total property plant and equipment	419 455 638	22 861 616	(244 990)	-	-	-	442 072 264	(48 672 388)	-	-	(14 593 575)	192 771	(63 073 192)	378 999 072
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	180 468	-	-	-	-	-	180 468	(36 079)	-	-	-	-	(36 079)	144 389
Investment properties	372 000	-	-	-	-	-	372 000	(106 655)	-	-	-	-	(106 655)	265 345
Total	420 008 106	22 861 616	(244 990)	-	-	-	442 624 732	(48 815 122)	-	-	(14 593 575)	192 771	(63 215 926)	379 408 806

**Appendix E(1)**

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013**

	<b>Current year 2013 Act. Bal. Rand</b>	<b>Current year 2013 Adjusted budget Rand</b>	<b>Variance Rand</b>	<b>Var</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Revenue	196 798 154	189 295 170	7 502 984	4.0	
Expenses	(290 773 473)	(180 456 429)	(110 317 044)	61.1	
Other revenue and costs	128 938	200 004	(71 066)	(35.5)	
Net surplus/ (deficit) for the year	(93 846 381)	9 038 745	(102 885 126)	138.3)	

**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 Expend			
Equitable Share	National Government	13 528 000	1 930 000	9 732 000	-	-	-	-	-
Municipal System Improvement Grant	National Government	800 000	-	-	-	75 083	140 841	-	-
Finance Management Grant	National Government	1 500 000	-	-	-	110 495	77 877	-	-
DME: Electrification Municipal Infrastructure Grant	National Government	1 000 000	-	-	-	2 450 269	5 318 216	-	-
Public Works - EPWP DWA - ACIP	National Government	8 506 000	5 716 000	1 866 000	-	502 952	936 814	-	-
	National Government	400 000	300 000	300 000	-	359 784	708 961	-	-
	National Government	346 798	492 819	2 545 795	889 661	-	-	-	-
		-	-	-	-	-	-	-	-
Library	Provincial Government	588 000	-	-	-	-	-	-	-
Housing	Provincial Government	-	433 928	-	2 925 338	-	-	-	-
		-	-	-	-	-	-	-	-
Project: Swimming Pool	District Municipality	-	-	450 000	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		26 668 798	8 872 747	14 893 795	3 814 999	3 498 583	7 182 709	-	-

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

**Appendix G1**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the year ended 30 June 2014**



**Appendix G2**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the year ended 30 June 2014**

**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2014**





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