



Bela Bela Local Municipality
Financial statements
for the year ended June 30, 2014

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

General Information

Legal form of entity	Local Municipality
Council	
Mayor	Hon. F.S. Hlungwane
Executive Councillors	Cllr S.E Maluleka(Speaker) Cllr R.M Radebe(Chief Whip) Cllr M.J Ngobeni Cllr J.F. van der Merwe
Other Councillors	Cllr P.M Mahlangu Cllr T.E Mokonyane Cllr M.L. Nhlapo Cllr G.M Seleka Cllr M.H Ledwaba Cllr M.J Sesane Cllr W.K.R Mokgethoa Cllr J.W Fourie Cllr C Boshoff Cllr P.M Alphane Cllr K.B Alberts Cllr M.M Mononyane
Grading of local authority	Medium capacity municipality
Acting Chief Finance Officer (CFO)	Mr. K Maposa
Accounting Officer	Mr. M.M Maluleka
Registered office	58 Chris Hani Drive Bela Bela
Postal address	Bela Bela Local Municipality Private Bag X1609 Bela Bela 0480
Bankers	Absa Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Moloto Attorneys Lenser and Williams Attorneys Mohale Incorporated Attorneys
Published	August 29, 2014

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Index

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

Index	Page
Accounting Officer's Responsibilities and Approval	4
Accounting Officer's Report	5 - 6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement (Direct method)	10
Statement of Comparison of Budget and Actual Amounts	11
Accounting Policies	13 - 37
Notes to the Financial Statements	35 - 70
Appendixes:	
Appendix A: Schedule of External loans	71
Appendix B: Analysis of Property, Plant and Equipment	72
Appendix C: Segmental analysis of Property, Plant and Equipment	78
Appendix D: Segmental Statement of Financial Performance	79
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	80
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	81
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	82
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	83
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	85

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Index

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)
PPP	Private Public Partnership
WDM	Waterberg District Municipality

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Officer's Responsibilities and Approval

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

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 70, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the set 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 accounting officer endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is substantially dependent on the government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Although the management are primarily responsible for the financial affairs of the municipality, they are supported by independent consultants where relevant.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The financial statements set out on pages 5 to 70, which have been prepared on the going concern basis, were approved by the accounting officer on August 29, 2014 and were signed on its behalf by:

Mr. M.M Maluleka
Acting Municipal Manager

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached financial statements.

Net surplus of the municipality was R 28 021 974 (2013: deficit R 29 215 204).

2. Going concern

The 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.

3. Subsequent events

The ruling party has restructured the political management team (PMT). The new PMT members are as follows:

Mayor - Cllr N.L. Nhlapo
Speaker - Cllr S.E. Maluleka
Chief Whip - Cllr R.M. Radebe

4. Submission of annual financial statements

The financial statements were submitted 29 August 2014. The Municipality complied with the requirements of Section 126 of the Municipal Finance Management Act

5. Accounting policies

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

6. Corporate governance

The Council

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Fruitless and wasteful expenditure

During the current financial year, payments to the value of R118 675 were regarded as the fruitless and wasteful expenditure. This was mainly due late payment of invoices to Eskom and Magalies.

Remuneration

The remuneration of the Accounting Officer and section 56 managers are determined by the Upper Limits for senior managers.

Audit Committee

Mr. M.A. Mashego was the chairperson of the audit committee for the financial year under review.

In terms of Section 166 of the Municipal Finance Management Act, municipality, must appoint members of the Audit Committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committees who are not councillors of the municipality onto the audit committee.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Officer's Report

Internal audit

The municipality has an independent internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

The chief internal auditor is Mr.M.C. Kabe.

7. Bankers

The municipality has its primary bank account with ABSA Bank Limited.

8. Auditors

The municipality is audited by the Auditor General of South Africa.

9. Public Private Partnership

During the financial period under review, Bela Bela Local municipality did not enter into any Private Public Partnerships.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Statement of Financial Position as at June 30, 2014

Figures in Rand	Note(s)	2014	Restated 2013
Assets			
Current Assets			
Inventories	9	105 832	100 449
Trade and other receivables from exchange transactions	10	112 928	100 365
Receivables from non-exchange transactions	11	1 267 220	-
VAT receivable	12	109 859	-
Consumer debtors from Non Exchange transactions	13	11 203 004	8 056 788
Consumer debtors from Exchange transactions	13	15 050 870	5 618 532
Sundry Debtors		3 660 004	261 659
Agreements	8	3 975 883	790 286
Cash and cash equivalents	14	30 652 565	2 658 399
		66 138 165	17 586 478
Non-Current Assets			
Investment property	3	175 140 964	173 368 943
Property, plant and equipment	4	512 499 103	528 554 982
Intangible assets	5	2 130 110	2 086 675
Heritage assets	6	538 951	538 950
Agreements	8	7 664 731	8 427 409
		697 973 859	712 976 959
Non-current assets held for sale	15	2 456 902	-
Total Assets		766 568 926	730 563 437
Liabilities			
Current Liabilities			
Financial liabilities	18	375 474	337 566
Finance lease obligation	16	16 054	-
Trade and other payables from exchange transactions	21	16 816 397	28 714 887
VAT payable	22	-	513 842
Consumer deposits	23	5 531 705	3 519 155
Unspent conditional grants and receipts	17	292 682	257
Provisions	19	7 789 281	6 319 261
Unknown deposits	20	3 687 463	872 010
Bank overdraft	14	-	110 160
		34 509 056	40 387 138
Non-Current Liabilities			
Financial liabilities	18	10 723 619	11 137 000
Finance lease obligation	16	27 438	-
Retirement benefit obligation	7	35 827 894	22 632 206
Provisions	19	15 620 583	14 568 729
		62 199 534	48 337 935
Total Liabilities		96 708 590	88 725 073
Net Assets		669 860 336	641 838 364
Accumulated surplus		669 860 336	641 838 364

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Service charges	26	115 763 329	112 172 951
Rental of facilities and equipment		998 416	548 745
Licences and permits		9 122 563	9 453 516
Administration and management fees received		905 489	1 135 832
Commissions received		45 543	37 916
Demand charges		1 363 874	452 459
Donations received		30 000	-
Sale of land		-	108 806
Other income		2 815 479	1 375 380
Other income: Co - funding		-	850 000
Traffic fines	28	29 904 329	6 131 353
Town Planning Scheme		374 864	484 656
Interest received	33	4 673 523	6 330 152
Property rates	25	53 068 691	42 378 148
Government grants & subsidies	27	80 417 666	50 833 185
Total revenue		299 483 766	232 293 099
Expenditure			
Personnel	30	(75 955 809)	(63 889 471)
Remuneration of councillors	31	(5 801 381)	(4 894 801)
Depreciation and amortisation	35	(28 883 761)	(31 985 073)
Impairment loss/ Reversal of impairments	4	(383 478)	-
Finance costs	37	(3 309 616)	(3 175 990)
Debt impairment	32	(25 504 703)	(34 770 337)
Repairs and maintenance		(12 277 714)	(8 632 302)
Bulk purchases	39	(59 902 603)	(60 018 986)
Loss on disposal of assets		(20 786)	-
General Expenses	29	(50 091 496)	(47 167 129)
Total expenditure		(262 131 347)	(254 534 089)
Operating surplus (deficit)		37 352 419	(22 240 990)
Fair value adjustments	34	1 772 020	(7 732 368)
Actuarial Gain / (Loss)	36	(11 102 465)	758 154
		(9 330 445)	(6 974 214)
Surplus (deficit) for the year		28 021 974	(29 215 204)
Attributable to:			
Municipality		28 021 974	(29 215 204)

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	659 260 652	659 260 652
Adjustments		
Prior year adjustments	17 422 291	17 422 291
Balance at July 01, 2013 as restated	641 838 358	641 838 358
Changes in net assets		
Surplus for the year	28 021 974	28 021 974
Total changes	28 021 974	28 021 974
Balance at June 30, 2014	669 860 332	669 860 332

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Cash Flow Statement (Direct method)

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Sale of goods and services		127 832 506	119 870 504
Interest income		4 673 523	6 330 152
Other receipts		121 592 520	107 324 867
		254 098 549	233 525 523
Payments			
Employee costs		(68 561 500)	(66 822 272)
Suppliers		(132 231 878)	(144 039 239)
Finance costs		(3 266 181)	(3 175 990)
		(204 059 559)	(214 037 501)
Net cash flows from operating activities	40	50 038 990	19 488 022
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(12 827 882)	(9 734 950)
Proceeds from sale of property, plant and equipment	4	(2 456 902)	27 249
Acturial Gain / (Loss)		(11 102 460)	758 154
Other movement PPE and Intangible		(43 435)	50 864
Net cash flows from investing activities		(26 430 679)	(8 898 683)
Cash flows from financing activities			
Repayment of financial liabilities		(375 473)	(337 566)
Movement in deposits		4 828 000	428 649
Finance lease payments		43 493	-
Net cash flows from financing activities		4 496 020	91 083
Net increase/(decrease) in cash and cash equivalents		28 104 326	10 680 427
Cash and cash equivalents at the beginning of the year		2 548 239	(8 132 188)
Cash and cash equivalents at the end of the year	14	30 652 565	2 548 239

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	105 587 916	5 284 137	110 872 053	115 763 329	4 891 276	
Rental of facilities and equipment	214 100	1 130 612	1 344 712	998 416	(346 296)	
Licences and permits	8 750 000	-	8 750 000	9 122 563	372 563	
Administration and management fees received	286 750	1 131 335	1 418 085	905 489	(512 596)	
Commissions received	500	15 000	15 500	45 543	30 043	
Demand charges	-	3 558 850	3 558 850	1 363 874	(2 194 976)	
Discount received	-	30 000	30 000	30 000	-	
Sale of land	1 500 000	-	1 500 000	-	(1 500 000)	
Other income	1 862 650	513 085	2 375 735	2 815 479	439 744	
Traffic fines	3 600 000	-	3 600 000	29 904 329	26 304 329	
Town planning Scheme	-	-	-	374 864	374 864	
Interest received - investment	10 141 000	-	10 141 000	4 673 523	(5 467 477)	
Total revenue from exchange transactions	131 942 916	11 663 019	143 605 935	165 997 409	22 391 474	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	41 550 050	(116 124)	41 433 926	53 068 691	11 634 765	
Government grants & subsidies	72 644 000	11 781 000	84 425 000	80 417 666	(4 007 334)	
Total revenue from non-exchange transactions	114 194 050	11 664 876	125 858 926	133 486 357	7 627 431	
Total revenue	246 136 966	23 327 895	269 464 861	299 483 766	30 018 905	
Expenditure						
Personnel	(73 457 001)	(5 032 558)	(78 489 559)	(75 955 809)	2 533 750	
Remuneration of councillors	(5 398 145)	(1 832 445)	(7 230 590)	(5 801 381)	1 429 209	
Depreciation and amortisation	(7 500 000)	(21 800 000)	(29 300 000)	(28 883 761)	416 239	
Impairment loss/ Reversal of impairments	-	-	-	(383 478)	(383 478)	
Finance costs	(3 105 000)	(480 000)	(3 585 000)	(3 309 616)	275 384	
Debt impairment	(17 720 000)	-	(17 720 000)	(25 504 703)	(7 784 703)	
Repairs and maintenance	(9 985 500)	(3 179 075)	(13 164 575)	(12 277 714)	886 861	
Bulk purchases	(67 515 138)	170 000	(67 345 138)	(59 902 603)	7 442 535	
General Expenses	(46 174 860)	(7 347 958)	(53 522 818)	(50 091 496)	3 431 322	
Total expenditure	(230 855 644)	(39 502 036)	(270 357 680)	(262 110 561)	8 247 119	
Operating surplus	(230 855 644)	(39 502 036)	(270 357 680)	37 373 205	307 730 885	
Loss on disposal of assets and liabilities	-	-	-	(20 786)	(20 786)	
Fair value adjustments	-	-	-	1 772 020	1 772 020	
Actuarial Gain / (Loss)	-	-	-	(11 102 465)	(11 102 465)	
	-	-	-	(9 351 231)	(9 351 231)	
Surplus before taxation	(230 855 644)	(39 502 036)	(270 357 680)	28 021 974	298 379 654	

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(230 855 644)	(39 502 036)	(270 357 680)	28 021 974	298 379 654	

Reconciliation

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1. Presentation of Financial Statements

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

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

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

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Significant judgements and estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

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

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Available-for-sale financial assets

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

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

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

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.1 Significant judgements and estimates (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Useful lives of waste and water network and other assets

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

Post retirement benefits

Payments to defined contribution and retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry managed state plans retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations will be performed on a regular basis on defined benefits contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds. The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-on-retirement, the surviving dependants may continue membership of the medical scheme. Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income. In service members will receive a post employment subsidy of 70% of the contribution payable. All continuation members receive a 70% subsidy. Widow(er)s and orphans of continuation members are entitled to receive this same subsidy after the death of the primary member. Upon a member's death-in-service, the surviving dependants do not receive a subsidy.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows. In the event that different rates were used, clear indication of the rate and the reasons are given.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment assessment is risk based.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.2 Investment property

Investment property includes property (land or a building, or part of a building, or either land or 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 and services, or the sale of an asset in the ordinary course of operations.

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

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

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. The valuations are performed annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair values are recorded in the Statement of Financial Performance as part of the surplus and deficit.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property and from property held for sale in the ordinary course of business:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- land held for a currently undetermined future use.
- a building owned and leased out under one or more operating leases
- leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held.
- a building that is vacant but is held to be leased out under one or more operating leases.

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 the Statement of Financial Performance.

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

Item	Average useful life
Buildings	15-60 years
Leasehold property	5 years
Plant and machinery	4 - 5 years
Furniture and fixtures	5 years
Motor vehicles	5 - 10 years
Office equipment	5 years
IT equipment	3 years
Computer software	2-5 years
Infrastructure	
• Roads and paving	5 -100 years
• Pedestrian Malls	20 - 30 years
• Electricity	10 - 60 years
• Water	10 - 80 years
• Sewerage	12 - 80 years
Community	
• Buildings	15 - 60 years
• Recreational Facilities	15 - 50 years
• Taxi ranks	10 - 40 years
• Stadiums	20 - 40 years
• Libraries	15 - 60 years
• Parks and gardens	10 - 50 years
• Other assets	7 - 20 years
Ancillary fleet equipment and security	15 years
Artwork	5 years
Other equipment	5 years

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.3 Property, plant and equipment (continued)

Asset found

• Land	indefinite
• Buildings	15 - 60 years
Communication equipment	10 - 15 years

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.5 Intangible assets (continued)

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

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

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

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

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

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

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

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

Item	Useful life
Computer software	2 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.6 Heritage assets (continued)

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

1.7 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.7 Financial instruments (continued)

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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

Loans to (from) economic entities

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of provision account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.7 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Consumer deposits

Consumer deposits are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

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 where:

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

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the 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. Where 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, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.7 Financial instruments (continued)

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed 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.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the Municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

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

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.9 Inventories (continued)

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Non-current assets held for sale and disposal groups

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

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

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

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

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Value in use

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

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality must:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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

Reversal of an impairment loss

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

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

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

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

1.13 Employee benefits

Short-term employee benefits

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

The municipality treats its provision for leave pay as an accrual.

The cost of short-term employee benefits such as leave pay are recognised in the period in which the service is rendered. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made. The municipality provides retirement benefits for its employees and councillors and has both defined benefit and defined contribution post employment plans

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.13 Employee benefits (continued)

Defined contribution plans

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

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

Defined benefit plans

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

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2013 by Chanan Weiss, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

An actuarial valuation has been performed of the liability in respect of post-employment health care benefits to employees and retirees of Bela Bela Municipality and to their registered dependants. Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.13 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.14 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the Municipality consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the Municipality test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Revenue from exchange transactions

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest and royalties

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the Municipality receives value from another entity without directly giving approximately equal value in exchange.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

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

The municipality has two types of fines: spot fines and summonses. Revenue from traffic fines is recognised at a full amount on the issue of fines. Fines that are subject to settlement discount are measured using the Municipality's consideration on past history in assessing the likelihood of these discounts being taken up by debtors, Revenue is then measured at the fair value of the consideration received or receivable, net of estimated settlement discounts.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbusement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.17 Investment income

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

1.18 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of a Municipality directly to the nature of the expenditure to be funded i.e. capital or current.

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

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

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

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.22 Irregular expenditure (continued)

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Presentation of currency

These financial statements are presented in South African Rand.

1.25 Offsetting

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

1.26 Value Added Tax

The Municipality is registered as category C VAT vendor. The Municipality accounts for VAT on a cash basis as per Section 15 of the VAT Act. VAT receivable or payable is calculated on a monthly bases. VAT receivable is treated as current assets while VAT payable is treated as VAT current liability. Annual Financial Statements are prepared on the accrual basis of accounting.

1.27 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with over investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for-sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the net surplus/(deficit) for the period.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.28 Conditional grants and receipts

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

1.29 Commitments

Commitments consist of expenditure committed but not yet incurred. Commitments are categorised as follows

- Commitments approved and contracted for; and
- Commitments approved but not contracted for

1.30 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 01-Jul-13 to 30-Jun-14.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.31 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

1.32 Agreements

One of the key objectives of debt collection is to encourage debtors to start paying their monthly accounts in full. In addition it is also necessary to ensure that arrear debt is addressed. The current average balances on consumer accounts necessitates that innovative ideas be implemented to encourage consumers to pay off their arrears. At the same time it is also of utmost importance that regular payers not be discouraged through the implementation of any possible incentives

Recognition

The amount of agreement is recognized when a debtor enter into payment agreement with the municipality. The amount to be recognize in the annual financial statement as agreement for either less than 12 months or over 12 months consist of the amount outstanding as debtors as at the date of reporting.

Measurement

Agreement consist of consumer debtors payment arrangement. Short term agreement are payment arrangement shorter than 12 months and long term agreement are payment arrangement that are longer than 12 months. Agreement are measured at faire value of amount outstanding at the of reporting

Disclosure

The amount to be will be disclosed will consist of total amount of debt and categorized into either less than 12 months or over 12 months consist as at the date of reporting. Agreement will be disclosed in the face of financial position under current assets and on the annual financial statement notes.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.33 Unknown deposits

Unknown deposit refer to amount which were paid into municipal account without proper reference to be able to allocate amounts received to correct debtors accounts or relevant vote account

Recognition

Once the payment is received, municipality will try to trace the amount to allocate it to the correct debtors or vote account. After the municipality have exhausted all options, then the municipality will advertise to the public. Should the public not came to claim the amounts, then the municipality will classify the amount as liability.

Measurement

The amount of unknown deposit is valued at fair value of amount actual received

Disclosure

The amount to be disclosed will be the total amount of unknown deposit as at reporting date. The unknown deposit will be disclosed under the annual financial statement disclosure and on the face of the financial position, under the current liabilities.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted no standards and interpretations that are effective for the current financial year and that are relevant to its operations:

• GRAP 18: Segment Reporting	April 01, 2013	No material impact
• GRAP 25: Employee benefits	April 01, 2013	No material impact
• GRAP 20: Related parties	April 01, 2013	No material impact
• GRAP 1 (as revised 2012): Presentation of Financial Statements	April 01, 2013	No material impact
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	April 01, 2013	No material impact
• GRAP 7 (as revised 2012): Investments in Associates	April 01, 2013	No material impact
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	April 01, 2013	No material impact
• GRAP 12 (as revised 2012): Inventories	April 01, 2013	No material impact
• GRAP 13 (as revised 2012): Leases	April 01, 2013	No material impact
• GRAP 16 (as revised 2012): Investment Property	April 01, 2013	No material impact
• GRAP 17 (as revised 2012): Property, Plant and Equipment	April 01, 2013	No material impact
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	April 01, 2013	No material impact
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	April 01, 2013	No material impact
• IGRAP16: Intangible assets website costs	April 01, 2013	No material impact
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	April 01, 2013	No material impact

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	April 01, 2014	No material impact
• GRAP 106: Transfers of functions between entities not under common control	April 01, 2014	No material impact
• GRAP 107: Mergers	April 01, 2014	No material impact
• IGRAP 11: Consolidation – Special purpose entities	April 01, 2014	No material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	April 01, 2014	No material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	April 01, 2014	No material impact
• GRAP 7 (as revised 2010): Investments in Associates	April 01, 2014	No material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	April 01, 2014	No material impact

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

3. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	181 101 311	(5 960 348)	175 140 964	181 101 311	(7 732 368)	173 368 943

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	173 368 943	1 772 020	175 140 963

Reconciliation of investment property - 2013

	Opening balance	Transfers	Total
Investment property	181 101 311	(7 732 368)	173 368 943

Pledged as security

The Municipality does not have any assets pledged as security.

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

In exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	71 790 805	(34 827 882)	36 962 923	60 149 842	(32 720 658)	27 429 184
Plant and machinery	1 073 651	(741 532)	332 119	998 195	(536 297)	461 898
Furniture and fixtures	3 460 081	(2 584 229)	875 852	3 307 123	(1 903 167)	1 403 956
Motor vehicles	4 880 000	(4 390 664)	489 336	9 595 000	(5 309 328)	4 285 672
Office equipment	2 307 139	(1 913 417)	393 722	3 042 624	(2 277 244)	765 380
Infrastructure	873 468 000	(451 179 215)	422 288 785	870 370 522	(429 853 593)	440 516 929
Community	64 093 453	(34 247 158)	29 846 295	64 097 953	(32 457 479)	31 640 474
Other property, plant and equipment	11 169 667	-	11 169 667	12 037 215	-	12 037 215
Emergency Equipement	78 579	(43 869)	34 710	49 779	(30 206)	19 573
Recreational Facilities	34 448 446	(24 342 752)	10 105 694	33 434 840	(23 440 139)	9 994 701
Total	1 066 769 821	(554 270 718)	512 499 103	1 057 083 093	(528 528 111)	528 554 982

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Derecognition	Depr on derecognition	Depreciation	Impairment loss	Total
Buildings	27 429 184	11 640 963	-	-	(2 107 224)	-	36 962 923
Plant and machinery	461 898	75 426	-	-	(205 205)	-	332 119
Furniture and fixtures	1 403 956	152 958	-	-	(681 062)	-	875 852
Motor vehicles	4 285 672	-	(4 715 000)	2 388 986	(1 470 322)	-	489 336
Office equipment	765 380	278 616	(1 014 101)	883 213	(519 386)	-	393 722
Infrastructure	440 516 929	3 097 477	-	-	(20 942 143)	(383 478)	422 288 785
Community	31 640 474	-	-	-	(1 794 179)	-	29 846 295
Other property, plant and equipment	12 037 215	-	(867 548)	-	-	-	11 169 667
Emergency Equipement	19 573	28 800	-	-	(13 663)	-	34 710
Recreational facilities	9 994 701	1 247 453	(233 847)	213 061	(1 115 674)	-	10 105 694
	528 554 982	16 521 693	(6 830 496)	3 485 260	(28 848 858)	(383 478)	512 499 103

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Derecognition	Depr on derecognition	Other changes, movements	Depreciation	Total
Buildings	29 950 968	93 252	(52 313)	23 032	-	(2 585 755)	27 429 184
Plant and machinery	1 774 806	5 344	(1 618 210)	817 164	-	(517 206)	461 898
Furniture and fixtures	2 748 617	24 438	(1 062 964)	564 017	-	(870 152)	1 403 956
Motor vehicles	2 560 510	-	4 685 000	(1 874 000)	(70 805)	(1 015 033)	4 285 672
Office equipment	2 307 168	74 802	(1 648 853)	808 431	-	(776 168)	765 380
Infrastructure	461 725 302	10 215 350	(18 128 147)	9 400 771	149 692	(22 846 039)	440 516 929
Community	33 738 417	-	-	-	-	(2 097 943)	31 640 474
Other property, plant and equipment	338 913	11 698 302	-	-	-	-	12 037 215
Emergency equipment	46 163	-	(27 897)	16 743	-	(15 436)	19 573
Recreational Facilities	11 215 975	-	(84 787)	67 830	-	(1 204 317)	9 994 701
	546 406 839	22 111 488	(17 938 171)	9 823 988	78 887	(31 928 049)	528 554 982

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

4. Property, plant and equipment (continued)

Pledged as security

The Municipality does not have any assets pledged as security.

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

5. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1 617 886	(133 439)	1 484 447	1 539 578	(98 567)	1 441 011
Rights to use naturally occurring assets	645 663	-	645 663	645 664	-	645 664
Total	2 263 549	(133 439)	2 130 110	2 185 242	(98 567)	2 086 675

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	1 441 011	78 308	(34 872)	1 484 447
Rights to use naturally occurring assets	645 664	-	-	645 664
	2 086 675	78 308	(34 872)	2 130 111

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software, other	1 491 875	(50 864)	1 441 011
Rights to use naturally occurring assets	645 664	-	645 664
	2 137 539	(50 864)	2 086 675

6. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	538 950	-	538 950	538 950	-	538 950

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical buildings	538 950	538 950

Reconciliation of heritage assets 2013

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
6. Heritage assets (continued)		
	Opening balance	Total
Historical buildings	538 950	538 950

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
7. Retirement benefit obligations		
Post retirement Health Care Benefits Liability		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(22 632 206)	(20 670 206)
Benefits paid	1 021 000	977 000
Current service costs	(2 472 000)	(2 030 000)
Net actuarial gains or losses	(9 949 688)	641 000
Interest costs	(1 795 000)	(1 550 000)
	(35 827 894)	(22 632 206)

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Chanan Weiss, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. An actuarial valuation has been performed of the liability in respect of post-employment health care benefits to employees and retirees of Bela Bela Municipality and to their registered dependants.

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

In-service members (Employees)	191	187
Continuation members	29	27

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

In-service members (Employees)	23 352 975	10 102 000
Continuation members	12 474 919	12 530 206
	35 827 894	22 632 206

The municipality makes monthly contributions of health care arrangements to the following Medical Aid schemes:

- Keyhealth
- Bonitas
- Hosmed
- Samwumed
- LA Health

The current service cost for the year ending 30 June 2014 is estimated to be R 2 472 000 (2013: R2 030 000).

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

Opening balance	20 750 904	20 670 206
Net expense recognised in the statement of financial performance	(5 682 688)	80 698
Present value of fund obligation at the end of the year	15 068 216	20 750 904

The amounts recognised in the Statement of Financial Performance

Current service cost	2 472 000	2 030 000
Vested past service cost	-	(977 000)

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
7. Retirement benefit obligations (continued)		
Interest cost	1 795 000	1 550 000
Actuarial (gains) losses	(9 949 688)	(641 000)
	(5 682 688)	1 962 000

The history of experienced adjustments is as follows:

Present value of Defined Benefit Obligation	35 827 894	22 632 206
	35 827 894	22 632 206

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

Changes in the fair value of plan assets are as follows:

Management has indicated that there are no long-term assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

8. Agreements

Agreements consist of consumer debtors payment arrangements. Short term agreements are payment arrangements shorter than 12 months and long term agreements are payment arrangements that are longer than 12 months.

Short term agreements	3 975 883	790 286
Long term agreements	7 664 731	8 427 409
Total	11 640 614	9 217 695

9. Inventories

Water	105 832	100 449
-------	---------	---------

Inventory pledged as security

No Inventory was pledged as security.

10. Trade and other receivables from exchange transactions

Rental of Municipal Properties	-	74 880
WDM fire fighting	112 928	25 485
	112 928	100 365

11. Receivables from non-exchange transactions

Fines	25 176 823	-
Allowance for impairment	(23 909 603)	-
	1 267 220	-

12. VAT receivable

VAT	109 859	-
-----	---------	---

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
13. Consumer debtors		
Gross balances		
Rates	57 428 286	55 492 983
Electricity	9 293 596	13 183 512
Water	19 728 143	18 739 339
Sewerage	4 954 944	4 857 745
Refuse	4 981 688	4 905 347
Other	48 688 732	33 722 807
	145 075 389	130 901 733
Less: Allowance for impairment		
Rates	(46 225 282)	(44 754 478)
Electricity	(6 915 945)	(9 971 132)
Water	(17 876 212)	(15 640 781)
Sewerage	(4 166 215)	(4 107 161)
Refuse	(4 281 432)	(4 080 768)
Other (specify)	(39 356 429)	(38 672 096)
	(118 821 515)	(117 226 416)
Net balance		
Rates	11 203 004	8 056 788
Electricity	2 377 651	2 410 156
Water	1 851 931	2 324 758
Sewerage	788 729	563 140
Refuse	700 256	618 658
Other	9 332 303	(298 180)
	26 253 874	13 675 320
Included in above is receivables from exchange transactions		
Electricity	2 377 651	2 410 156
Water	2 551 114	2 324 758
Sewerage	788 729	563 141
Refuse	700 256	618 658
Other	9 332 303	(298 180)
	15 750 053	5 618 533
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	11 203 004	8 056 788
	26 953 057	13 675 321
Rates		
Current (0 -30 days)	9 743	6 373 700
31 - 60 days	4 444 787	1 606 498
61 - 90 days	2 406 224	1 468 342
91 - 120 days	2 026 904	1 440 545
121 - 365 days	1 859 503	1 308 046
> 365 days	46 681 124	43 295 852
	57 428 286	55 492 983

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
13. Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	21 735	3 827 320
31 - 60 days	3 412 248	1 817 091
61 - 90 days	503 332	2 972 128
91 - 120 days	401 771	989 448
121 - 365 days	319 577	857 867
> 365 days	4 634 933	2 719 658
	9 293 596	13 183 512
Water		
Current (0 -30 days)	25 990	1 497 170
31 - 60 days	2 041 205	1 159 175
61 - 90 days	1 108 656	852 983
91 - 120 days	647 307	867 834
121 - 365 days	766 532	801 274
> 365 days	15 837 637	13 560 903
	19 728 143	18 739 339
Other		
Current (0 -30 days)	3 868 993	1 030 190
31 - 60 days	6 101 226	1 067 872
61 - 90 days	1 479 689	802 469
91 - 120 days	1 643 863	1 540 876
121 - 365 days	1 139 435	1 302 265
> 365 days	34 455 526	27 979 135
	48 688 732	33 722 807
Sewerage		
Current (0 -30 days)	78	464 022
31 - 60 days	485 430	254 630
61 - 90 days	253 592	204 029
91 - 120 days	203 002	196 051
121 - 365 days	173 359	168 437
> 365 days	3 839 483	3 570 576
	4 954 944	4 857 745
Refuse from exchange transactions and other from non exchange transactions		
Current (0 -30 days)	258	428 598
31 - 60 days	461 323	243 418
61 - 90 days	248 705	199 041
91 - 120 days	197 691	197 006
121 - 365 days	169 430	171 388
> 365 days	3 904 282	3 665 895
	4 981 688	4 905 347

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
13. Consumer debtors (continued)		
Summary of debtors by customer classification		
Government		
Current (0 -30 days)	118 836	481 717
31 - 60 days	844 526	458 748
61 - 90 days	431 708	268 232
91 - 120 days	292 394	280 171
121 - 365 days	245 038	235 761
> 365 days	6 918 509	2 110 793
	8 851 011	3 835 422
Business		
Current (0 -30 days)	2 423 573	5 676 639
31 - 60 days	4 596 760	1 462 796
61 - 90 days	1 361 664	972 330
91 - 120 days	960 345	1 243 324
121 - 365 days	848 463	1 092 985
> 365 days	22 475 177	18 056 886
	32 665 982	28 504 960
Household		
Current (0 -30 days)	1 280 499	2 457 458
31 - 60 days	7 518 906	1 210 475
61 - 90 days	2 987 464	972 493
91 - 120 days	2 738 455	1 178 927
121 - 365 days	2 263 218	1 061 321
> 365 days	55 746 215	11 306 835
	72 534 757	18 187 509
Other		
Current (0 -30 days)	103 888	5 005 187
31 - 60 days	3 986 027	3 016 726
61 - 90 days	1 219 363	2 227 415
91 - 120 days	1 129 345	2 529 336
121 - 365 days	1 071 117	2 219 210
> 365 days	24 213 082	59 127 873
	31 722 822	74 125 747
	145 075 390	130 901 733
Reconciliation of allowance for impairment		
Balance at beginning of the year	(117 226 416)	(82 456 079)
Debt impairment written off against allowance	(1 595 099)	(34 770 337)
	(118 821 515)	(117 226 416)
14. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	-	2 000
Bank balances	1 932 807	-
Short-term deposits	28 719 758	2 656 399
Bank overdraft	-	(110 160)
	30 652 565	2 548 239

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
14. Cash and cash equivalents (continued)		
Current assets	30 652 565	2 658 399
Current liabilities	-	(110 160)
	30 652 565	2 548 239

Credit quality of cash at bank and short term deposits, excluding unspent conditional grant

Investment	28 719 758	2 658 399
Cash and cash equivalent	7 789 972	2 235 981
Total cash	36 509 730	4 894 380
Less: Unspent Conditional Grant	(295 107)	(257)
	36 214 623	4 894 123

See note 22 for reconciliation of grants

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral	500 000	500 000
--	---------	---------

Local Guarantees

The above guarantee is pledged to Magalies water by means of the ABSA Bank Call account with the number 9079442012. The valuation amount for the current 12 months ended 30 June 2014: R1 069 942 (2013: R1 055 836), however the guarantee is limited to R500,000.00.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

14. Cash and cash equivalents (continued)

Current Account (Primary Bank Account)

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2014	June 30, 2013		June 30, 2014	June 30, 2013	
ABSA BANK - Current Account - 1330000062	7 428 239	1 834 455	-	1 571 073	(511 686)	-
ABSA BANK - Call Account - 4078360937	361 733	401 526	-	361 733	401 526	-
Total	7 789 972	2 235 981	-	1 932 806	(110 160)	-

Call deposits

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2014	June 30, 2013	
ABSA BANK - Call Account - 9079442012	1 085 760	1 055 836	-	1 085 760	1 055 836	-
ABSA BANK - Call Account - 4073741532	-	281 657	-	-	281 657	-
ABSA BANK - Call Account - 4078462834	-	269 014	-	-	269 014	-
ABSA BANK - Account Type - Deposit - 2066701092	800 000	800 000	-	800 000	800 000	-
Fnb Limited - Call Account - 6204584148	254 988	249 892	-	254 988	249 892	-
Petty Cash	-	2 000	-	-	2 000	-
ABSA BANK - Call Account - 9295746149	16 001	-	-	16 001	-	-
ABSA BANK - Call Account - 9295745884	16 450 119	-	-	16 450 119	-	-
NEDBANK - Call Account - 03-7881110678	10 112 890	-	-	10 112 890	-	-
Total	28 719 758	2 658 399	-	28 719 758	2 658 399	-
Total cash and cash equivalents	36 511 730	5 293 907		30 652 565	2 548 239	

15. Non-current assets held for sale

A decision to dispose of old redundant assets was taken by the Council on 30 October 2013. These assets was sold through an auction which took place on Thursday 31 July 2014. Assets to be disposed of include:

Description	
Motor vehicles	2 326 014
Office equipment	130 888
Total	<u>2 456 902</u>

A total impairment loss of R383 478 was recognised on initial classification of Non-Current Assets Held for sale and this amount is presented on the face of the financial statements.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
16. Finance lease obligation		
Minimum lease payments due		
- within one year	20 068	-
- in second to fifth year inclusive	29 663	-
- later than five years	-	-
	49 731	-
less: future finance charges	(6 239)	-
Present value of minimum lease payments	43 492	-
Non-current liabilities	27 438	-
Current liabilities	16 054	-
	43 492	-

Bela-Bela Local Municipality has leased computer equipment from BIG Time Strategic sourcing. The monthly lease payment is R1 568 with a 10% annual increment. The lease agreement is for the period of 36 month from 01 November 2013 to 31 October 2016. Ownership will pass to the Municipality after the expiry of lease contract

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal System Improvement Grant (MSIG)	272	257
Disaster Management Grant	292 410	-
	292 682	257

Movement during the year

Balance at the beginning of the year	257	5 404 307
Additions during the year	80 710 092	44 493 130
Income recognition during the year	(80 417 667)	(50 833 185)
Correction of error	-	936 005
	292 682	257

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

18. Financial liabilities

At amortised cost		
INCA Loan 00-003-7509	11 099 093	11 474 566
Interest rate 10.49%, monthly repayment R132 032. Settlement date 30 June 2027		
Non-current liabilities		
At amortised cost	10 723 619	11 137 000
Current liabilities		
At amortised cost	375 474	337 566

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

19. Provisions

Reconciliation of other provisions - 2014

	Opening Balance	Additions	Total
Rehabilitation of landfill site	14 568 729	1 051 854	15 620 583
Performance bonus	96 278	64 519	160 797
Provision for leave	4 172 649	928 243	5 100 892
Long service award provision	2 050 334	477 258	2 527 592
	20 887 990	2 521 874	23 409 864

Reconciliation of other provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill site	13 125 557	1 443 172	-	14 568 729
Performance bonus	203 005	-	(106 727)	96 278
Provision for leave	3 917 980	254 669	-	4 172 649
Long service award provision	1 610 516	439 818	-	2 050 334
	18 857 058	2 137 659	(106 727)	20 887 990

Non-current liabilities		15 620 583	14 568 729
Current liabilities		7 789 281	6 319 261
		23 409 864	20 887 990

Rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The valuation of the landfill site was performed as at 30 June 2014 by Environmental and Sustainability Solutions CC. It is calculated as the present value of future obligation at a discounted at prime interest rate, the following key assumptions were used CPI of 6.2663% (2013: 5.7694%), Discount rate of 8.5163% (2013: 8.0194%) and net effective discount rate of 2.25% (2013: 2.25%). The remaining estimated life of the landfill of 10 years is used in the discounted calculation of the provision for disclosure. The payment of expenditures relating to rehabilitation is expected to occur after the 30th June 2014.

Provision for rehabilitation of landfill sites:

Carrying value

Balance at the beginning of the year	14 568 729	13 125 557
Change in provision for landfill closure	891 419	1 164 340
Interest charge	309 916	278 832
Total Recognised Liability	15 770 064	14 568 729

Long Service Awards

The municipality operates an Unfunded defined benefit plan for all its employees. Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees.

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

For the 12 months ended 30 June 2014, 324 (2013: 331) employees were eligible for Long Service Awards.

The current service cost for the 12 months ending 30 June 2014 is estimated to be R 234 989 (2013: R 261 717), whereas the cost for the ensuing year is estimated to be R262 047 (2013: R 362 054).

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

19. Provisions (continued)

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

Discount rate used	7.78 %	7.93 %
Salary increase rate	6.99 %	6.69 %
Net effective discount rate	0.74 %	1.16 %

Movement in the present value of the Defined Benefit Obligation were as follows:

Carrying value

Balance at the beginning of the year	2 050 334	1 610 516
Current service costs	234 989	261 717
Interest cost	146 366	100 337
Benefits paid	(160 793)	(39 390)
Actuarial losses / (gains)	256 696	117 154
Total Recognised Benefit Liability	2 527 592	2 050 334

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

Present value of fund obligations	14 568 729	13 125 557
Fair value of plan assets	-	-
Interest cost	309 916	278 832
Actuarial (gains) losses	891 419	1 164 340
Present Value of Benefit Liability	15 770 064	14 568 729

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

Current service cost	891 419	1 443 172
Interest cost	309 916	278 832
Total post retirement benefit included in employee related costs	1 201 335	1 722 004

The liability at the Valuation Date was recalculated to show the effect of 1% increase and decrease in the assumed general salary inflation rate. Using central assumption of R234 949 for current service cost and R146 366 for interest costs the effect is as follows:

	One percentage point increase	One percentage point decrease
Effect on current service cost	237 298	232 600
Effect on interest cost	147 830	144 902
Total	410 900	410 900

Amounts for the current and previous year are as follows:

	2014	2013	2012	2011	2010
	R	R	R	R	R
Defined benefit obligation	2 527 592	2 050 334	1 610 516	1 547 642	1 226 188
Plan assets	-	-	-	-	-
Surplus/(deficit) of defined benefit obligation	2 050 334	2 050 334	1 610 516	1 547 642	1 226 188

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
20. Unknown deposit		
Deposits received	867 592	872 010
Deposits received in our bank account but we are unable to track who paid it and why		
21. Trade and other payables from exchange transactions		
Trade payables	732 389	9 196
Payments received in advanced	10 540 369	6 555 555
Year end Accruals	1 817 828	19 181 851
Accrued bonus	1 608 549	1 419 974
Retention creditors	1 462 661	1 226 877
Other Creditors	654 601	321 434
	16 816 397	28 714 887
22. VAT payable		
Tax refunds payables	-	513 842
VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors and payments are made to suppliers.		
23. Consumer deposits		
Deposit received	5 531 705	3 519 155
24. Revenue		
Service charges	115 763 329	112 172 951
Rental of facilities and equipment	998 416	548 745
Licences and permits	9 122 563	9 453 516
Administration and management fees received	905 489	1 135 832
Commissions received	45 543	37 916
Demand charges	1 363 874	452 459
Donations received	30 000	-
Recoveries	-	108 806
Other income	2 815 479	1 375 380
Other income: Co - funding	-	850 000
Other income - (rollup)	29 904 329	6 131 353
Town Planning Scheme	374 864	484 656
Interest received	4 673 523	6 330 152
Property rates	53 068 691	42 378 148
Government grants & subsidies	80 417 666	50 833 185
	299 483 766	232 293 099

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

24. Revenue (continued)

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

Service charges	115 763 329	112 172 951
Rental of facilities and equipment	998 416	548 745
Licences and permits	9 122 563	9 453 516
Administration and management fees received - third party	905 489	1 135 832
Commissions received	45 543	37 916
Demand charges	1 363 874	452 459
Donation received	30 000	-
Sale of land	-	108 806
Other income	2 815 479	1 375 380
Other income: Co - funding	-	850 000
Traffic fines	29 904 329	6 131 353
Town Planning Scheme	374 864	484 656
Interest received	4 673 523	6 330 152
	165 997 409	139 081 766

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

Taxation revenue		
Property rates	53 068 691	42 378 148
Transfer revenue		
Government grants & subsidies	80 417 666	50 833 185
	133 486 357	93 211 333

25. Property rates

Rates received

Property rates	53 068 691	42 378 148
----------------	------------	------------

Valuations

Valuations of properties are performed every 4 years. The last general valuation came into effect on 1 July 2012. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations, subdivisions, consolidations and other alterations as stipulated in the Municipal Property Rates Act.

The rate ranges are as follows:

Farms is R0.0106
Residential properties R0.0120
Government properties R0.0133
Business / Industrial R0.0133 and
Vacant land R0.0133

26. Service charges

Sale of electricity	84 137 611	80 552 583
Sale of water	18 779 788	19 457 180
Solid waste	6 029 531	5 667 755
Sewerage and sanitation charges	6 816 399	6 495 433
	115 763 329	112 172 951

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
27. Government grants and subsidies		
Operating grants		
Equitable share	59 949 000	30 818 000
Finance Management Grant	1 550 000	1 500 000
Municipal System Improvement Grant	889 985	799 743
Department of Water Affairs	1 000 000	130 000
SETA	192 681	172 582
Extended Public Works Program	1 000 000	1 000 000
	64 581 666	34 420 325
Capital grants		
Municipal Infrastructure Grant	15 836 000	16 412 860
	15 836 000	16 412 860
	80 417 666	50 833 185

Equitable Share

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

Finance Management Grant

Balance unspent at beginning of year	-	22 490
Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 550 000)	(22 490)
Other	-	(1 500 000)
	-	-

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA..

The conditions of the grant are as follows:

- Appointment of an appropriately skilled municipal manager and CFO
- Appointment of at least two interns for purposes of building future financial management capacity
- Council Resolution committing council to reforms
- Submission of primary bank account details
- Development of an action plan for implementation
- Monthly reporting on performance

Municipal System Improvement Grant

Balance unspent at beginning of year	257	24 782
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(889 985)	(799 743)
Refunded to the Funder	-	(24 782)
	272	257

Municipal Systems Improvement Grant (MSIG) deals with transfers to assist municipalities with building in-house capacity to perform their functions and stabilise institutional and governmental systems

Department of Water and Forestry Grant

Balance unspent at beginning of year	-	154 728
Current-year receipts	1 000 000	130 000
Conditions met - transferred to revenue	(1 000 000)	(130 000)
Written Off as a Legacy Issue	-	(154 728)
	-	-

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

27. Government grants and subsidies (continued)

The purpose of this grant is to ensure that the country's water resources are protected, used, developed, conserved, managed and controlled in a sustainable manner for the benefit of all people and the environment, through effective policies, integrated planning, strategies, knowledge base and procedures.

Housing Grant

Balance unspent at beginning of year	-	11 346
Written Off as a Legacy Issue	-	(11 346)
	-	-

This grants is received from Provincial Government for the construction of houses

Municipal Infrastructure Grant

Balance unspent at beginning of year	-	5 190 962
Current-year receipts	15 836 000	16 353 000
Conditions met - transferred to revenue	(15 836 000)	(16 418 962)
Refunded to the Grant Funder	-	(5 125 000)
	-	-

The Municipal Infrastructure Grant complements the equitable share grant for local government, however, it is provided conditionally to municipalities. The key principles underpinning the design of the MIG are outlined below:

- a) Focus on infrastructure required for a basic level of service: The MIG programme is aimed at providing only basic infrastructure.
- b) Targeting the poor: The programme is aimed at providing services to the poor and funds will therefore be targeted to reach them.
- c) Maximising economic benefits: The programme will be managed to ensure that the local economic spin-offs through providing infrastructure are maximised. This includes employment creation and the development of enterprises.
- d) Equity in the allocation and use of funds: The mechanism for distributing funds must provide for equitable access to such funds by the poor in order to make uniform progress in closing the infrastructure gap.

All the unspent conditional grants have been committed for and the municipality has applied for the roll over of the 2013/14 unspent conditional grants to the 2014/15 financial year.

SETA Grant

Balance unspent at beginning of year	257	-
Current-year receipts	192 681	172 582
Conditions met - transferred to revenue	(192 681)	(172 582)
	-	257

The grant is utilise for training of officials in the municipality.

Disaster Management Grant

Current-year receipts	292 410	-
-----------------------	---------	---

Conditions still to be met - remain liabilities (see note 17).

The grant is utilised to fund relief operations after disasters within the jurisdiction of the municipality. The Municipality were declared a disaster in March 2014.

Extented Public Works Program

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

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

27. Government grants and subsidies (continued)

	-	-
--	---	---

The grant is to incentivise municipalities to increase labour intensive employment through infrastructure programmes that maximise job creation and skills development in line with the EPWP guidelines.

28. Fines

Traffic fines	29 904 329	6 131 353
---------------	------------	-----------

The measurement of traffic fines at initial recognition has changed from, an estimated revenue amount based on past experience of amounts collected to the full amount recognition on the issue of fines. Traffic fines revenue has increased by R18 540 634 (29 904 329 * 62%). The change in measurement will be accounted for prospectively.

29. General expenses

Advertising	691 436	591 242
Auditors remuneration	3 684 594	1 954 176
Bank charges	1 714 166	1 618 929
Cleaning	101 470	72 228
Consulting and professional fees	7 857 039	7 034 109
Debt collection	498 784	21 111
Entertainment	46 272	38 729
Internal audit	76 645	69 986
Insurance	18 070	11 871
IT expenses	1 919 063	6 080 199
Lease rentals on operating lease	4 122 426	4 688 566
Fuel and oil	2 830 754	2 249 799
Recruitment costs	101 142	40 329
Postage and courier	480 880	7 741
Printing and stationery	546 497	431 788
Research and development costs	153 122	193 100
Staff welfare	72 827	41 180
Subscriptions and membership fees	1 514 976	580 072
Telephone and fax	1 707 720	1 100 186
Transport and freight	-	2 306
Extinguish Material	17 729	-
Uniforms	667 717	501 402
Local economic development	-	306 247
Community outreach program	1 265 053	536 511
Equitable share levy	3 386 965	2 429 536
Valuation costs	2 037 191	438 278
Risk and asset management	879 584	2 021 511
Contractor services	10 729 765	11 338 201
Delegation costs	787 143	1 467 880
Other expenses	-	788
Capacity building	841 108	326 793
Chemicals	1 003 532	967 835
Disaster management	337 826	4 500
	50 091 496	47 167 129

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
30. Employee related costs		
Basic	48 222 097	56 374 170
Bonus	2 681 301	-
Medical aid - company contributions	3 753 432	803 449
UIF	445 348	-
SDL	612 558	262 301
Current service costs	2 706 989	-
Benefits paid	(1 181 793)	-
Post-employment benefits - Pension	7 618 384	-
Overtime payments	4 522 152	3 560 864
Acting allowances	1 396 722	-
Transport allowance (bus coupons)	3 954 132	2 888 687
Housing benefits and allowances	1 159 968	-
Performance bonus	64 519	-
	75 955 809	63 889 471

Remuneration of municipal manager

Annual Remuneration	-	304 465
Car Allowance	-	121 786
Contributions to UIF, Medical and Pension Funds	-	108 388
Travel, motor car, accomodation, subsistence and other allowance	-	1 500
Other allowances	-	13 578
Leave Days Sold	-	155 683
	-	705 400

The Municipal Manager term ended 31 December 2012 and it was not renewed.

Remuneration of chief finance officer

Annual Remuneration	633 212	271 196
Car Allowance	196 982	79 165
Contributions to UIF, Medical and Pension Funds	164 042	97 697
Cellphone allowance	20 400	11 324
Other allowances	84 209	8 500
Acting allowances	146 135	27 168
	1 244 979	495 050

The Chief Financial Officer was employed for the full 12 months and he was acting as Municipal Manager for the year under review.

Remuneration corporate services manager

Annual Remuneration	535 692	80 729
Car Allowance	183 790	32 310
Contributions to UIF, Medical and Pension Funds	10 922	25 775
Cellphone Allowance	108 109	3 000
Other allowances	18 173	15 729
	856 687	157 543

The Manager Corporate Services was appointed for 11 months.

Remuneration of social and community services manager

Annual Remuneration	272 101	486 371
Car Allowance	93 473	184 984

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
30. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	60 253	146 905
Acting Allowance	-	14 818
Cellphone Allowance	10 500	18 600
Other	143 392	-
	579 719	851 678

The Manager Health, Safety and Social Services was employed for 07 months.

Remuneration of planning and economic development manager

Annual Remuneration	-	74 710
Car Allowance	-	32 275
Housing allowance	-	500
Contributions to UIF, Medical and Pension Funds	-	34 476
Leave payout	-	150 997
Cellphone allowance	-	3 000
	-	295 958

The Manager's position was vacant for the year under review.

Remuneration of technical services manager

Annual Remuneration	525 777	489 981
Car Allowance	196 982	182 916
Contributions to UIF, Medical and Pension Funds	136 188	169 324
Cellphone allowance	19 500	18 600
Acting allowance	21 606	13 389
	900 053	874 210

The Manager was employed for the full 12 months.

31. Remuneration of councillors

Mayor	708 012	676 650
Chief Whip	581 512	522 750
Executive Committee Members	826 133	789 919
Speaker	607 614	561 690
Councillors	3 078 110	2 343 792
	5 801 381	4 894 801

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

31. Remuneration of councillors (continued)

Reconciliation of councillors - 2014

	Position	Annual salary	Travelling allowance	Medical	Other allowances	Reimbursement	Pension contribution @ 15%	Cell allowance	Mobile data allowance	Total
Hlungwane FS	Mayor-FT	412 042	164 748	21 313	19 409	13 130	64 961	20 287	3 600	719 489
Mononyane MM	Speaker-FT	343 824	131 798	-	15 644	39 291	53 170	20 287	3 600	607 614
Maluleka SE	Chief Whip-FT	296 572	123 564	30 956	14 702	45 067	46 764	20 287	3 600	581 512
Nhlapo ML	EC Member-FT	350 104	52 955	40 401	14 702	-	58 434	20 287	3 600	540 483
Fourie JW	EC Member-FT	211 108	-	15 840	10 590	2 943	27 682	14 187	3 300	285 650
Radebe RM	EC Member-FT	134 750	63 431	44 370	12 191	47 978	19 125	15 926	3 600	341 371
Sesane MJ	Chair Sec 79- PT	220 620	-	-	12 191	-	30 460	15 926	3 600	282 797
Ledwaba MH	Councillor-PT	147 350	28 245	-	10 889	1 708	23 092	15 926	3 600	230 810
Seleka GM	Councillor-PT	128 935	49 425	-	10 590	17 862	20 329	15 926	3 600	246 667
Ngobeni MJ	Councillor-PT	133 860	55 430	23 430	10 590	47 818	21 068	15 926	3 600	311 718
Aphane PM	Councillor-PT	116 222	49 425	17 090	10 590	25 041	19 534	15 926	3 600	257 429
Mokgethoa WKR	Councillor-PT	135 953	41 355	-	10 590	13 896	21 539	15 926	3 600	242 859
Mokonyane TE	Councillor-PT	135 953	41 355	-	10 590	8 296	21 540	15 926	3 600	237 260
Mahlangu PM	Councillor-PT	153 498	21 180	-	10 590	15 259	24 566	15 926	3 600	244 619
VD Merwe JF	Councillor-PT	171 913	-	-	12 709	-	33 065	15 926	3 600	237 213
Boshoff C	Councillor-PT	142 443	-	-	10 590	-	22 908	12 448	3 000	191 389
Alberts KB	Councillor-PT	153 498	21 180	-	10 590	13 141	24 566	15 926	3 600	242 501
		3 388 645	844 091	193 400	207 747	291 430	532 803	282 969	60 300	5 801 381

Reconciliation of councillors - 2013

	Position	Annual salary	Travelling allowance	Medical	Other allowances	Reimbursement	Pension contribution @ 15%	Cell allowance	Mobile data allowance	Total
Hlungwane FS	Mayor-FT	388 845	155 079	18 060	28 715	1 227	64 725	19 098	900	676 650
Mononyane MM	Speaker-FT	431 517	-	-	23 667	16 004	70 504	19 098	900	561 690
Maluleka SE	Chief Whip-FT	386 838	-	20 368	22 405	9 700	63 441	19 098	900	522 750
Nhlapo ML	EC Member- FT	384 873	-	22 628	22 405	-	66 134	19 098	900	516 038
Fourie JW	EC Member- FT	206 451	-	17 280	10 758	-	26 582	11 910	900	273 881

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand						2014		2013		
31. Remuneration of councillors (continued)										
Radebe RM	EC	119 160	-	21 506	51 911	24 160	26 582	11 910	900	256 129
	Member- FT									
Sesane MJ	Chair Sec	136 869	-	-	51 911	-	26 582	11 910	900	228 172
	79- PT									
Ledwaba MH	Councillor-	124 941	-	-	10 758	-	26 582	11 910	900	175 091
	PT									
Seleka GM	Councillor-	84 489	46 521	-	10 758	20 413	19 603	11 910	900	194 594
	PT									
Ngobeni MJ	Councillor-	126 193	-	-	10 758	10 044	26 582	11 910	900	186 386
	PT									
Aphane PM	Councillor-	110 493	-	13 965	10 758	-	26 582	11 910	900	174 607
	PT									
Mokgethoa WKR	Councillor-	124 941	-	-	10 758	-	26 582	11 910	900	175 091
	PT									
Mokonyane TE	Councillor-	124 941	-	-	10 758	-	26 582	11 910	900	175 091
	PT									
Mahlangu PM	Councillor-	124 941	-	-	10 758	4 917	26 582	11 910	900	180 008
	PT									
VD Merwe JF	Councillor-	185 619	-	-	13 598	-	36 416	11 910	900	248 443
	PT									
Boshoff C	Councillor-	124 941	-	-	10 758	-	26 582	11 910	900	175 091
	PT									
Alberts KB	Councillor-	124 941	-	-	10 758	-	26 582	11 910	900	175 091
	PT									
		3 310 993	201 600	113 807	322 192	86 465	613 225	231 222	15 300	4 894 803

In-kind benefits

The Mayor, speaker and chief whip are full-time. Each is expected to be provided with an office and secretarial support at the cost of the Council.

32. Debt impairment

Debt impairment - Traffic fines	23 606 650	-
Debt impairment - Consumer Debtors	1 898 053	34 770 337
	25 504 703	34 770 337

33. Interest recieved

Interest revenue

Interest recieved - investment	782 137	325 203
Interest charged on trade and other receivables	3 891 386	6 004 949
	4 673 523	6 330 152

34. Fair value adjustments

Investment property (Fair value model)	1 772 020	(7 732 368)
--	-----------	-------------

35. Depreciation and amortisation

Property, plant and equipment	28 883 761	31 985 073
-------------------------------	------------	------------

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
36. Actuarial Gain / (Loss)		
Actuarial Gain / (Loss) - Post-employment Medical Aid	(9 949 688)	641 000
Actuarial Gain / (Loss) - Landfill site	(896 081)	234 308
Actuarial Gain / (Loss) - Long Service Award	(256 696)	(117 154)
	(11 102 465)	758 154
37. Finance costs		
Current borrowings	3 150 279	1 246 821
Other interest paid	159 337	1 929 169
	3 309 616	3 175 990
38. Auditors' remuneration		
Fees	3 684 594	1 954 176
39. Bulk purchases		
Electricity	52 952 088	54 389 294
Water	6 950 515	5 629 692
	59 902 603	60 018 986
40. Cash generated from operations		
Surplus (deficit)	28 021 974	(29 215 204)
Adjustments for:		
Depreciation and amortisation	28 883 761	31 985 073
Actuarial Gain (loss)	11 102 465	(758 154)
Fair value adjustments	(1 772 020)	7 732 368
Debt impairment	25 888 181	34 770 337
Movements in retirement benefit assets and liabilities	13 195 688	1 962 000
Movements in provisions	2 521 874	(644 784)
Changes in working capital:		
Inventories	(5 383)	(9 959)
Trade and other receivables from exchange transactions	(12 563)	1 508 728
Consumer debtors from Non Exchange transactions	(29 034 397)	(33 225 787)
Consumer debtors from Non Exchange transactions	(9 432 338)	6 566 990
Trade and other payables from exchange transactions	(11 898 491)	(27 566 080)
VAT	(623 701)	598 460
Unspent conditional grants and receipts	292 425	(5 404 050)
Sundry Debtors	(4 665 565)	39 808 341
Agreements	(2 422 920)	(8 620 257)
	50 038 990	19 488 022

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
-----------------	------	------

41. Commitments

Capital commitments

Approved and contracted for

• Property, plant and equipment	18 257 549	3 720 867
---------------------------------	------------	-----------

Approved but not yet contracted for

• Community	-	13 431 899
-------------	---	------------

Operational commitments

Approved and contracted for

• Summary	7 670 404	-
-----------	-----------	---

Approved but not yet contracted for

• Community	-	-
-------------	---	---

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	2 608 357	2 586 689
- in second to fifth year inclusive	18 935	885 818
	2 627 292	3 472 507

Operating lease payments represent rentals payable by the municipality for motor vehicles that are leased from ABSA Bank and photocopying machines that are leased from Konika Minolta, OCE South Africa, Tenderwood and Palesa Tech (Pty) Ltd. The operating lease term for motor vehicles is three years and rentals are payable at a fixed rate for the period of the lease term. Lease payments for the photocopying machines are paid at a fixed amount over the lease term, except for the photocopying machine leased from Konika Minolta where rentals are escalated by 15% per annum. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	998 416	548 745
- in second to fifth year inclusive	-	-
- later than five years	-	-
	998 416	548 745

The municipality owns properties that are lease out to the employees for the period not exceeding 12 months.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

42. Contingencies

1. Bela-Bela vs Nyambeni. The value of the claim R350,000 and it is regarding a disciplinary hearing.
2. TN Molefe Consulting Services CC is suing the Municipality for none payment to the value of R542,198. The financial exposure is expected to be R1,000,000.00
3. Gholfbaanpark Eiendoms-ontwikkelinge CC is suing the Municipality for canceling the new development which was taking place within Bela-Bela to the value of R796 041. Mangement estimates the financial exposure to be R1,250,000.
4. Afri forum vs Bela Bela. Application for information. The value of the claim is +-R300 000.
5. Bela Bela vs Unlawful Occupiers of Ext. 8. The value of the claim +-R120 000.
6. Medupi Lehong Incorporated vs Bela Bela (Freddy Hlungwane, O.P. Sebola and M.M. Maluleka). No date of hearing for the appeal has been recieved.
7. Molope Abel Ramolotja vs Bela Bela (Freddy Hlungwane, Municipal Council, O.P. Sebola and M.M. Maluleka
8. Mills vs Bela Bela - Declaration order aounting to R200 000.

43. Related parties

Relationships

Accounting Officer

Refer to accounting officer's report note

Remuneration of key management and councillors

Refer to note 30 & 31

Related party transactions

44. Prior period errors

1. The Municipality has identified transactions that could not be substantiated due to lack of records. The main cause of these transactions is system convention glitches, system errors, etc. The Council has declared those transactions as legacy issued and wrote the off. In addition, the Municipality had a post adjustments done on the financial management system to accomodate the audited figures for 30 June 2011. The opening balances of 2010/11 financial year were corrected to be reconciled to the trial balance as audited in 2010/11 financial year. The effect will not have an impact on 2012/13 and 2013/14 financial year. The financial management system was also adjusted to reconciled to the audited trial balance. The balances are as below:

ACC NAME	AFS 30 JUNE 2011 (audited)	FINANCIAL SYSTEM 30 JUNE 2011	DIFFERENCE BETWEEN AFS AND FINANCIAL SYSTEM AT 30 JUNE 2011	FINANCIAL SYSTEM 01 JULY 2011
Cash suspense vote (normal)	R42 044 705.01	R40 524 220.18	R1 520 484.83	R42 044 705.01
Cash suspense direct dep	(R36 857 988.54)	(R41 014 540.67)	(R4 156 552.13)	(R36 857 988.54)
Unclaimed	(R4 268 999.83)	(R3 706 999.83)	R562 000	(R4 268 999.83)

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

44. Prior period errors (continued)

2. Vat correction on debtor wasn't charge on sundry debtor. Vat output was increase with R9 196.

3. Property plant and equipment the following occurs:

- 3.1 the municipality became aware that roads which formed part of the asset register, were in fact those belonging to the Province, while other unrecognised portions did belong to the municipality. As such, it was decided that a correction be made and disclosed as a prior period error
- 3.2 it was noted that two components had not previously been brought into the asset register, along with the derecognition of a related replaced component. It was decided that the recognition and related derecognition be accounted for in the prior financial year, and disclosed as a prior period error
- 3.3 and it was discovered that a fence had been capitalised in the FAR, which had never existed. It was decided that it would be removed from the FAR as at the beginning of the prior financial year, as a prior period error.
- 3.4 it was discovered that a number of projects had in fact been completed in prior periods, but had not been capitalised to the Fixed Asset Register (FAR). It was required that the completed projects be capitalised to the FAR, in the periods within which they became available for use (2010, 2011 and 2012).
- 3.5 it was discovered that a number of projects had in fact been completed in prior periods, which had already been capitalised to the Fixed Asset Register (FAR), but had not been removed from the WIP register. It was also determined that a number of projects included expenditure which was not capital in nature, or where the entire project was not capital. It was required that the identified completed and non-capital items be removed from the WIP register, as from the earliest period presented. This correction constitutes a prior period correction in the AFS

4. There are processed journals that were duplicated in the previous financial year; the amount of the error corrected is as follows :

Indigent levy	R129 241
Cash suspense RD	R514 407

5. The Municipality has re-compiled five year bank reconciliation statement in order to correct bank opening balances.

6. The Municipality has reclassify accrued bonuses from provisions to trade and other payables. from exchange transactions.

7. The Municipality has reverse provision for accrued fines for the 2012/13 financial year.

7. Cashflow statement was recalculated for the 2012/13 financial year.

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

Statement of financial position

	Adjustment 30 June 2013
Property, plant and equipment	(18 914 055)
Trade and other payables from exchange transactions	9 714 419
Provisions	1 419 974
Sundry debtors	(7 944 777)
Consumer deposits	(23 820)
Trade and other recievables from exchange transactions	(1 674 032)
Accumulated surplus	17 422 291

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

45. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality credit profile and diversified funding sources to ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash.

The municipality manages liquidity risk through ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared.

Refer to note 12 to 17 indicates all liabilities that the municipality is currently having.

Credit risk

This creditworthiness can mainly be ascribed to three things,

- (i) adequate revenue that supports borrowing
- (ii) reliable financial information, which is necessary for public disclosure, and
- (iii) proper credit ratings.

All three these elements are important to ensure municipal creditworthiness. Municipality faces enormous constraints on all three these elements.

Municipality do not have adequate revenue to support borrowing, mainly due to debt outstanding and the collection is hampered by the poverty levels which increase the indigent book of the municipality. Incentives were implemented to enter into agreement with debtors with intention to write –off 50% of debts owed if 50% is paid within agreed time.

The reliability of financial information is determined by factors such Auditor General's opinion of financial statements which will turn effect credit ratings of municipality.

Municipality currently have one long-term borrowing with INCA and the repayments for the loan are effected significant by the changes in interest rate.

Interest rate risk

The municipality's interest rate risk arises from investments at variable rates exposes the municipality to cash flow interest rate risk. Investment at fixed rates exposes the municipality to fair value interest rate risk. The municipal policy is to not invest with one institution and to invest at different maturity dates over the short term to alleviate major fluctuations in the interest rates. The majority of investments are call deposits.

Municipality may performs analysis of the age of financial assets that are past due as at the end of the reporting period, but not impaired. In preparing the age analyses required, municipality should use its judgment to determine an appropriate number of time bands. For example, municipality might determine that the following time bands are appropriate:

- o Not more than three months;
- o More than three months and not more than six months;
- o More than six months and not more than one year; and
- o More than one year.

An analysis of financial assets that are individually determined to be impaired as at the end of the reporting period, including the factors the entity considered in determining that they are impaired. In order to meet this requirement, municipality might consider to include in the analysis by class of financial assets, the carrying amount, before deducting any impairment loss, and the amount of any related impairment loss; and

For the amounts disclosed above, a description of collateral held by the municipality as security and other credit enhancements.

Refer to note 14 that indicates the breakdown of all the investments.

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
46. Unauthorised expenditure		
Opening balance	30 875 995	74 531 414
Unauthorised expenditure current year	-	30 875 995
Approved by Council or condoned	-	(74 531 414)
	30 875 995	30 875 995

The unauthorised expenditure of R74 531 414 358 was noted by Council.

The Municipality took an exercise of full GRAP 17 (Property, plant and Equipment) full sweep. This exercised has led the Municipality incur more depreciation as it anticipated on the adjustment budget. This is non cash items and it contributed significantly on the R30 875 995 disclosed as unauthorised expenditure.

The Municipality further calculated a more realist debt impairment cost. This resulted into overspending on that line item. Again this is non cash item. Therefore the overspenditure is due to non cash itemst

47. Fruitless and wasteful expenditure

Opening balance	499 458	452 087
Fruitless and wasteful expenditure current year	118 490	269 458
Condoned or written off by Council	-	(222 087)
	617 948	499 458

The current year fruitless and wasteful expenditure amounting to R118 490 emanates from the late payment of invoices to Eskom and Magalies due to late payments.

48. Irregular expenditure

Opening balance	42 866 885	36 178 464
Irregular Expenditure incurred during current year	6 352 038	6 688 421
	49 218 923	42 866 885

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription	1 514 976	580 072
Amount paid - current year	(1 514 976)	(580 072)
	-	-

Material losses through criminal conduct

Opening balance	695 785	685 785
Current year criminal conduct	159 669	10 000
	855 454	695 785

An amount of R159 669 was paid to a consumer for refund fraudulently. The case is still on going internally

Audit fees

Current year audit fee	3 684 594	1 954 176
Amount paid - current year	(3 621 524)	(1 003 455)
	63 070	950 721

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	2013
49. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Current year payroll deductions	8 519 633	7 426 686
Amount paid - current year	(8 519 633)	(7 426 686)
	-	-
Pension and Medical Aid Deductions		
Current year payroll deductions and Council Contributions	19 416 582	17 867 921
Amount paid - current year	(19 416 582)	(17 867 921)
	-	-
VAT		
VAT receivable	109 859	-
VAT payable	-	513 842
	109 859	513 842

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

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

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

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

June 30, 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
REM Radebe	195	-	195
MH Ledwaba	834	8 399	9 233
SE Maluleka	869	-	869
MM Monanyane	252	-	252
MJ Sesane	1 326	-	1 326
JFMP Van Der Merwe	10 374	-	10 374
MJ Ngobeni	41	-	41
	13 891	8 399	22 290

June 30, 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
REM Radebe	209	-	209
ML Nhlapo	8 274	67 214	75 488
MH Ledwaba	586	5 624	6 210
ML Nhlapo	732	-	732
GM Seleka	3 312	28 442	31 754
SE Maluleka	492	-	492
MM Monanyane	153	-	153
MJ Sesane	267	-	267
JWA Fourie	2 774	-	2 774
JFMP Van Der Merwe	8 604	-	8 604
MJ Ngobeni	396	2 697	3 093
Hlungwane FS	598	4 759	5 357
	26 397	108 736	135 133

During the year all Councillors were informed about the amount owing and were informed that they are in contravention of Scheme B of the Municipal Systems Act

50. 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 municipality and includes a note to the financial statements.

There were deviations incurred in the financial year under review. A detailed register is available for inspection.

51. Distribution Losses

Distributions to owners are from capital surpluses.

Electricity loss is at 12.64% and

Water loss is at 26.02%

2014	Total Purchases	Total Sales	Total (Loss) / Gain
Total kilowatts of electricity	87 297 183	76 261 035	(11 036 148)

Bela Bela Local Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand 2014 2013

51. Distribution Losses (continued)

Total kilolitres of water	2 888 303	2 396 174	(492 129)
---------------------------	-----------	-----------	-----------

52. Actual operating expenditure versus budgeted operating expenditure

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

53. Awards to close family members of persons in the service of the state

Awards made to close family members of the following employees:

Name of person	Capacity	Amount
Mmakgabo Rejoice Boikhutso	Councilor	58 176
Marietjie Susan Niebuhr	Ward committee member	78 669
Monyenyane Lucas Nhlapo	Councillor	4 950
Mmapula Jennet Margaret Chauke	General worker	36 000
Tsakane Esther Kgwebane	Filing clerk - traffic	199 720
Jeremiah Mathomola Moatshe	General worker - Electric	62 620
Ellen Phasha	Ward committee member	<u>8 820</u>
Total		<u>448 955</u>

Appendix A

June 2014

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at Sunday, June 30, 2013	Received during the period	Redeemed written off during the period	Balance at Monday, June 30, 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
External Loans							
Annuity Loan - INCA @ 10,69%	00-0003 and 30 June 2027 00-0004	11 474 567	-	375 474	11 099 093	-	-
		11 474 567	-	375 474	11 099 093	-	-
Total external loans							
External Loans		11 474 567	-	375 474	11 099 093	-	-
		11 474 567	-	375 474	11 099 093	-	-

Appendix B

June 2014

Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation	Accumulated depreciation
-------------------------	---------------------------------

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Fair value adjustments Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Housing (Inc land)	21 819 971	-	-	-	-	-	21 819 971	(15 466 180)	-	-	(464 008)	-	(15 930 188)	5 889 783
Operational buildings	38 329 870	10 775 223	-	-	-	-	49 105 093	(17 254 478)	-	-	(1 643 215)	-	(18 897 693)	30 207 400
Roads and stormwater	-	865 739	-	-	-	-	865 739	-	-	-	-	-	-	865 739
	60 149 841	11 640 962	-	-	-	-	71 790 803	(32 720 658)	-	-	(2 107 223)	-	(34 827 881)	36 962 922
Infrastructure														
Electricity	120 976 718	-	-	-	-	-	120 976 718	(66 380 958)	-	-	(3 268 058)	(250 232)	(69 899 248)	51 077 470
Roads and stormwater network	341 159 681	2 364 373	-	-	-	-	343 524 054	(131 905 084)	-	-	(8 534 911)	(133 246)	(140 573 241)	202 950 813
Sanitation network	180 554 586	455 404	-	-	-	-	181 009 990	(110 694 988)	-	-	(2 914 253)	-	(113 609 241)	67 400 749
Water supply network	227 679 537	277 701	-	-	-	-	227 957 238	(120 872 563)	-	-	(6 224 922)	-	(127 097 485)	100 859 753
	870 370 522	3 097 478	-	-	-	-	873 468 000	(429 853 593)	-	-	(20 942 144)	(383 478)	(451 179 215)	422 288 785
Community Assets														
Parks & gardens	64 093 453	-	-	-	-	-	64 093 453	(32 452 979)	-	-	(1 794 179)	-	(34 247 158)	29 846 295
Recreational facilities	33 434 840	1 247 454	(233 847)	-	-	-	34 448 447	(23 440 139)	-	213 061	(1 115 674)	-	(24 342 752)	10 105 695
	97 528 293	1 247 454	(233 847)	-	-	-	98 541 900	(55 893 118)	-	213 061	(2 909 853)	-	(58 589 910)	39 951 990

Appendix B

June 2014

Analysis of property, plant and equipment as at 30 June 2014

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

Heritage assets														
Buildings	538 950	-	-	-	-	-	538 950	-	-	-	-	-	538 950	
	538 950	-	-	-	-	-	538 950	-	-	-	-	-	538 950	
Specialised vehicles														
Other assets														
General vehicles	9 595 000	-	(4 715 000)	-	-	-	4 880 000	(5 309 328)	-	2 388 986	(1 470 322)	-	(4 390 664)	489 336
Plant & equipment	998 224	75 427	-	-	-	-	1 073 651	(536 297)	-	-	(205 205)	-	(741 502)	332 149
Furniture & Fittings	3 307 123	152 958	-	-	-	-	3 460 081	(1 903 167)	-	-	(681 062)	-	(2 584 229)	875 852
Office Equipment	3 042 623	278 617	(1 014 101)	-	-	-	2 307 139	(2 277 244)	-	883 213	(519 386)	-	(1 913 417)	393 722
Emergency Equipment	49 779	28 800	-	-	-	-	78 579	(30 206)	-	-	(13 662)	-	(43 868)	34 711
Work in progress	12 037 215	-	(867 548)	-	-	-	11 169 667	-	-	-	-	-	-	11 169 667
	29 029 964	535 802	(6 596 649)	-	-	-	22 969 117	(10 056 242)	-	3 272 199	(2 889 637)	-	(9 673 680)	13 295 437

Appendix B

June 2014

Analysis of property, plant and equipment as at 30 June 2014

Cost/Revaluation	Accumulated depreciation
-------------------------	---------------------------------

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Fair value adjustments Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	60 149 841	11 640 962	-	-	-	-	71 790 803	(32 720 658)	-	-	(2 107 223)	-	(34 827 881)	36 962 922
Infrastructure	870 370 522	3 097 478	-	-	-	-	873 468 000	(429 853 593)	-	-	(20 942 144)	(383 478)	(451 179 215)	422 288 785
Community Assets	97 528 293	1 247 454	(233 847)	-	-	-	98 541 900	(55 893 118)	-	213 061	(2 909 853)	-	(58 589 910)	39 951 990
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	29 029 964	535 802	(6 596 649)	-	-	-	22 969 117	(10 056 242)	-	3 272 199	(2 889 637)	-	(9 673 680)	13 295 437
	1 057 617 570	16 521 696	(6 830 496)	-	-	-	1 067 308 770	(528 523 611)	-	3 485 260	(28 848 857)	(383 478)	(554 270 686)	513 038 084
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	1 539 578	78 308	-	-	-	-	1 617 886	(98 567)	-	-	(34 872)	-	(133 439)	1 484 447
Other	645 664	-	-	-	-	-	645 664	-	-	-	-	-	-	645 664
	2 185 242	78 308	-	-	-	-	2 263 550	(98 567)	-	-	(34 872)	-	(133 439)	2 130 111
Investment properties														
Investment property	173 368 943	-	-	-	-	-	173 368 943	-	-	1 772 020	-	-	1 772 020	175 140 963
	173 368 943	-	-	-	-	-	173 368 943	-	-	1 772 020	-	-	1 772 020	175 140 963
Total														
Land and buildings	60 149 841	11 640 962	-	-	-	-	71 790 803	(32 720 658)	-	-	(2 107 223)	-	(34 827 881)	36 962 922
Infrastructure	870 370 522	3 097 478	-	-	-	-	873 468 000	(429 853 593)	-	-	(20 942 144)	(383 478)	(451 179 215)	422 288 785
Community Assets	97 528 293	1 247 454	(233 847)	-	-	-	98 541 900	(55 893 118)	-	213 061	(2 909 853)	-	(58 589 910)	39 951 990
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	29 029 964	535 802	(6 596 649)	-	-	-	22 969 117	(10 056 242)	-	3 272 199	(2 889 637)	-	(9 673 680)	13 295 437
Intangible assets	2 185 242	78 308	-	-	-	-	2 263 550	(98 567)	-	-	(34 872)	-	(133 439)	2 130 111
Investment properties	173 368 943	-	-	-	-	-	173 368 943	-	-	1 772 020	-	-	1 772 020	175 140 963
	1 233 171 755	16 600 004	(6 830 496)	-	-	-	1 242 941 263	(528 622 178)	-	5 257 280	(28 883 729)	(383 478)	(552 632 105)	690 309 158

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	Fair value adjustments Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Housing (Inc land)	21 819 971	-	-	-	-	-	21 819 971	(14 969 232)	-	-	(496 949)	-	(15 466 181)	6 353 790
Operational buildings	38 288 931	93 252	(52 313)	-	-	-	38 329 870	(15 188 703)	-	23 032	(2 088 807)	-	(17 254 478)	21 075 392
	60 108 902	93 252	(52 313)	-	-	-	60 149 841	(30 157 935)	-	23 032	(2 585 756)	-	(32 720 659)	27 429 182
Infrastructure														
Electricity network	117 598 390	3 378 328	-	-	-	-	120 976 718	(63 101 983)	-	-	(3 278 975)	-	(66 380 958)	54 595 760
Roads and stormwater network	325 534 973	15 624 708	-	-	-	-	341 159 681	(119 430 809)	-	-	(12 474 275)	-	(131 905 084)	209 254 597
Sanitation network	180 554 586	-	-	-	-	-	180 554 586	(107 768 669)	-	-	(2 926 319)	-	(110 694 988)	69 859 598
Water supply network	227 561 347	140 715	(22 525)	-	-	-	227 679 537	(114 549 882)	-	18 668	(6 341 351)	-	(120 872 565)	106 806 972
	851 249 296	19 143 751	(22 525)	-	-	-	870 370 522	(404 851 343)	-	18 668	(25 020 920)	-	(429 853 595)	440 516 927
Community Assets														
Parks & gardens	64 093 453	-	-	-	-	-	64 093 453	(30 355 036)	-	-	(2 097 943)	-	(32 452 979)	31 640 474
Recreational facilities	33 519 627	-	(84 787)	-	-	-	33 434 840	(22 303 652)	-	67 830	(1 204 316)	-	(23 440 138)	9 994 702
	97 613 080	-	(84 787)	-	-	-	97 528 293	(52 658 688)	-	67 830	(3 302 259)	-	(55 893 117)	41 635 176

Appendix B

June 2014

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	Fair value adjustments Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Specialised vehicles														
Other assets														
General vehicles	4 910 000	4 685 000	-	-	-	-	9 595 000	(3 435 328)	-	(858 966)	(1 015 034)	-	(5 309 328)	4 285 672
Plant & equipment	2 601 061	5 344	(1 618 210)	-	-	-	988 195	(838 072)	-	818 981	(517 206)	-	(536 297)	451 898
Furniture & Fittings	4 345 649	24 438	(1 062 964)	-	-	-	3 307 123	(1 613 297)	-	580 282	(870 152)	-	(1 903 167)	1 403 956
Office Equipment	4 616 675	74 802	(1 648 853)	-	-	-	3 042 624	(2 312 905)	-	811 829	(776 168)	-	(2 277 244)	765 380
Emergency Equipment	77 676	-	(27 897)	-	-	-	49 779	(31 513)	-	16 742	(15 435)	-	(30 206)	19 573
Work in progress	338 912	11 698 302	-	-	-	-	12 037 214	-	-	-	-	-	-	12 037 214
	16 889 973	16 487 886	(4 357 924)	-	-	-	29 019 935	(8 231 115)	-	1 368 868	(3 193 995)	-	(10 056 242)	18 963 693

Appendix B

June 2014

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	Fair value adjustments Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	60 108 902	93 252	(52 313)	-	-	-	60 149 841	(30 157 935)	-	23 032	(2 585 756)	-	(32 720 659)	27 429 182
Infrastructure	851 249 296	19 143 751	(22 525)	-	-	-	870 370 522	(404 851 343)	-	18 668	(25 020 920)	-	(429 853 595)	440 516 927
Community Assets	97 613 080	-	(84 787)	-	-	-	97 528 293	(52 658 688)	-	67 830	(3 302 259)	-	(55 893 117)	41 635 176
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	16 889 973	16 487 886	(4 357 924)	-	-	-	29 019 935	(8 231 115)	-	1 368 868	(3 193 995)	-	(10 056 242)	18 963 693
	1 026 400 201	35 724 889	(4 517 549)	-	-	-	1 057 607 541	(495 899 081)	-	1 478 398	(34 102 930)	-	(528 523 613)	529 083 928
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	1 539 578	-	-	-	-	-	1 539 578	(47 703)	-	-	(50 864)	-	(98 567)	1 441 011
Other	645 664	-	-	-	-	-	645 664	-	-	-	-	-	-	645 664
	2 185 242	-	-	-	-	-	2 185 242	(47 703)	-	-	(50 864)	-	(98 567)	2 086 675
Investment properties														
Investment property	181 101 311	-	-	-	-	-	181 101 311	-	(7 732 368)	-	-	-	(7 732 368)	173 368 943
	181 101 311	-	-	-	-	-	181 101 311	-	(7 732 368)	-	-	-	(7 732 368)	173 368 943
Total														
Land and buildings	60 108 902	93 252	(52 313)	-	-	-	60 149 841	(30 157 935)	-	23 032	(2 585 756)	-	(32 720 659)	27 429 182
Infrastructure	851 249 296	19 143 751	(22 525)	-	-	-	870 370 522	(404 851 343)	-	18 668	(25 020 920)	-	(429 853 595)	440 516 927
Community Assets	97 613 080	-	(84 787)	-	-	-	97 528 293	(52 658 688)	-	67 830	(3 302 259)	-	(55 893 117)	41 635 176
Heritage assets	538 950	-	-	-	-	-	538 950	-	-	-	-	-	-	538 950
Other assets	16 889 973	16 487 886	(4 357 924)	-	-	-	29 019 935	(8 231 115)	-	1 368 868	(3 193 995)	-	(10 056 242)	18 963 693
Intangible assets	2 185 242	-	-	-	-	-	2 185 242	(47 703)	-	-	(50 864)	-	(98 567)	2 086 675
Investment properties	181 101 311	-	-	-	-	-	181 101 311	-	(7 732 368)	-	-	-	(7 732 368)	173 368 943
	1 209 686 754	35 724 889	(4 517 549)	-	-	-	1 240 894 094	(495 946 784)	(7 732 368)	1 478 398	(34 153 794)	-	(536 354 548)	704 539 546

Appendix D

June 2014

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

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
-	11 656 024	(11 656 024)	Executive & Council/Mayor and Council	-	13 078 907	(13 078 907)
87 042 629	98 885 372	(11 842 743)	Finance & Admin/Finance	118 331 145	96 670 817	21 660 328
353 635	5 216 057	(4 862 422)	Planning and Development/Economic Development/Plan	142 334	5 180 189	(5 037 855)
228 526	9 956 898	(9 728 372)	Comm. & Social/Libraries and archives	258 264	9 446 775	(9 188 511)
-	56 000	(56 000)	Housing	-	-	-
80 042	45 580	34 462	Sport and Recreation	-	-	-
14 672 020	5 949 947	8 722 073	Waste Water Management/Sewerage	7 573 353	7 590 229	(16 876)
17 412 860	7 108 724	10 304 136	Road Transport/Roads	16 836 771	10 182 169	6 654 602
21 130 947	19 386 190	1 744 757	Water/Water Distribution	30 115 912	21 957 854	8 158 058
91 372 440	103 247 511	(11 875 071)	Electricity /Electricity Distribution	126 225 989	107 354 852	18 871 137
232 293 099	261 508 303	(29 215 204)		299 483 768	271 461 792	28 021 976
Municipal Owned Entities Other charges						
232 293 099	261 508 303	(29 215 204)	Municipality	299 483 768	271 461 792	28 021 976
232 293 099	261 508 303	(29 215 204)	Total	299 483 768	271 461 792	28 021 976

Appendix E(1)

June 2014

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

	Forecast # 2 2014 Act. Bal.	Forecast # 2 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	53 068 691	41 128 926	11 939 765	29.0	Increase in property values around Bela-Bela area
Service charges	115 763 241	110 872 053	4 891 188	4.4	
Rental of facilities and equipment	978 896	1 344 712	(365 816)	(27.2)	Lower than projected occupation rate
Licences and permits	9 122 563	8 750 000	372 563	4.3	E-Natis system breakdowns
Government Grants and subsidies	80 857 998	87 050 000	(6 192 002)	(7.1)	
Administration and management fees received	871 984	1 203 085	(331 101)	(27.5)	Improvement in debtors payment level
Commissions received	45 543	15 500	30 043	193.8	Above projected income collection
Royalties received	-	-	-	-	
Rental income	19 520	-	19 520	-	
Donation received	30 000	30 000	-	-	
Recoveries	-	-	-	-	
Other income	4 011 356	7 413 395	(3 402 039)	(45.9)	Lower number of tenders issued
Town planning schemes	136 121	129 500	6 621	5.1	
Fines	29 904 329	3 600 000	26 304 329	730.7	Implementation of IGRAP 1
Other income - (rollup)	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Interest received - investment	4 673 523	10 141 000	(5 467 477)	(53.9)	
	299 483 765	271 678 171	27 805 594	10.2	
Expenses					
Personnel	(75 955 808)	(78 489 559)	2 533 751	(3.2)	
Remuneration of councillors	(5 801 380)	(7 230 591)	1 429 211	(19.8)	Remuneration of Sec 79 Chair persons
Depreciation	(28 883 761)	(29 300 000)	416 239	(1.4)	
Finance costs	(3 309 616)	(3 585 000)	275 384	(7.7)	
Debt impairment	(25 888 181)	(17 720 000)	(8 168 181)	46.1	Improvement on debt collection rate
Repairs and maintenance - General	(12 168 506)	(13 044 275)	875 769	(6.7)	
Bulk purchases	(59 902 603)	(67 345 139)	7 442 536	(11.1)	Below estimated consumption
General Expenses	(50 221 491)	(53 643 117)	3 421 626	(6.4)	
	(262 131 346)	(270 357 681)	8 226 335	(3.0)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(11 102 465)	-	(11 102 465)	-	Once off sale of assets
Fair value adjustments	1 772 020	-	1 772 020	-	Increase in property market value
Gains or losses on biological assets and agricultural produce	-	-	-	-	
	(9 330 445)	-	(9 330 445)	-	Once off sale of assets
Net surplus/ (deficit) for the year	28 021 974	1 320 490	26 701 484	022.1	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
 June 2014

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts						Quarterly Expenditure						Grants and Subsidies delayed / withheld						Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance		
				Sep	Dec	Mar			Sep	Dec	Mar	Jun		Mar	Jun	Sep	Dec	Mar	Yes/ No					
Equitable Share	National Treasury	-	-	20 266	16 213	23 470	-	20 266	16 213	23 470	-	-	-	-	-	-	-	-	-	-		Yes		
EPWP	National Treasury	-	-	400	300	300	-	70	577	151	200	-	-	-	-	-	-	-	-	-	-		Yes	
MIG	National Treasury	-	-	10 000	-	5 836	-	-	3 476	3 216	8 845	-	-	-	-	-	-	-	-	-	-		Yes	
FMG	National Treasury	-	-	1 550	-	-	-	639	588	299	25	-	-	-	-	-	-	-	-	-	-		Yes	
MSIG	National Treasury	-	-	890	-	-	-	419	469	-	1	-	-	-	-	-	-	-	-	-	-		Yes	
		-	-	33 106	16 513	29 606	-	21 394	21 323	27 136	9 071	-	-	-	-	-	-	-	-	-	-			

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 June 30, 2014**

	2014/2013								2013/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	101 012 400	9 677 224	110 689 624	-		110 689 624	119 502 722		8 813 098	108 %	118 %				87 653 252
Budget and treasury office	100 658 050	8 546 612	109 204 662	-		109 204 662	118 331 145		9 126 483	108 %	118 %				87 042 629
Corporate services	354 350	1 130 612	1 484 962	-		1 484 962	1 171 577		(313 385)	79 %	331 %				610 623
Community and public safety	13 240 750	(37 474)	13 203 276	-		13 203 276	39 731 968		26 528 692	301 %	300 %				16 375 911
Community and social services	165 750	50 000	215 750	-		215 750	258 264		42 514	120 %	156 %				228 526
Public safety	13 075 000	(87 474)	12 987 526	-		12 987 526	39 473 704		26 486 178	304 %	302 %				16 147 385
Economic and environmental services	21 521 000	2 475 500	23 996 500	-		23 996 500	16 979 105		(7 017 395)	71 %	79 %				17 766 495
Planning and development	142 000	18 500	160 500	-		160 500	142 334		(18 166)	89 %	100 %				353 635
Road transport	21 379 000	2 457 000	23 836 000	-		23 836 000	16 836 771		(6 999 229)	71 %	79 %				17 412 860
Trading services	111 862 816	11 925 955	123 788 771	-		123 788 771	123 269 973		(518 798)	100 %	110 %				110 497 441
Electricity	77 350 925	11 893 955	89 244 880	-		89 244 880	85 580 708		(3 664 172)	96 %	111 %				74 694 474
Water	27 567 448	32 000	27 599 448	-		27 599 448	30 115 912		2 516 464	109 %	109 %				21 130 947
Waste management	6 944 443	-	6 944 443	-		6 944 443	7 573 353		628 910	109 %	109 %				6 996 246
Total Revenue - Standard	247 636 966	24 041 205	271 678 171	-		271 678 171	299 483 768		27 805 597	110 %	121 %				232 293 099

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

	2014/2013								2013/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	94 394 358	35 060 919	129 455 277	-	-	129 455 277	139 576 875	-	10 121 598	108 %	148 %	-	-	-	135 298 923
Executive and council	12 229 574	3 672 374	15 901 948	-	-	15 901 948	13 078 907	-	(2 823 041)	82 %	107 %	-	-	-	11 656 024
Budget and treasury office	52 761 954	27 276 448	80 038 402	-	-	80 038 402	96 670 817	-	16 632 415	121 %	183 %	-	-	-	98 885 372
Corporate services	29 402 830	4 112 097	33 514 927	-	-	33 514 927	29 827 151	-	(3 687 776)	89 %	101 %	-	-	-	24 757 527
Community and public safety	22 587 364	462 938	23 050 302	-	-	23 050 302	23 670 541	-	620 239	103 %	105 %	-	-	-	25 649 640
Community and social services	8 893 430	1 161 252	10 054 682	-	-	10 054 682	9 446 775	-	(607 907)	94 %	106 %	-	-	-	9 956 898
Public safety	13 693 934	(698 314)	12 995 620	-	-	12 995 620	14 223 766	-	1 228 146	109 %	104 %	-	-	-	13 540 003
Economic and environmental services	14 305 368	806 881	15 112 249	-	-	15 112 249	15 362 358	-	250 109	102 %	107 %	-	-	-	12 380 781
Planning and development	6 340 739	(75 316)	6 265 423	-	-	6 265 423	5 180 189	-	(1 085 234)	83 %	82 %	-	-	-	5 272 057
Road transport	7 964 629	882 197	8 846 826	-	-	8 846 826	10 182 169	-	1 335 343	115 %	128 %	-	-	-	7 108 724
Trading services	99 568 557	1 791 787	101 360 344	-	-	101 360 344	92 852 019	-	(8 508 325)	92 %	93 %	-	-	-	88 178 959
Electricity	70 613 940	1 372 221	71 986 161	-	-	71 986 161	63 303 936	-	(8 682 225)	88 %	90 %	-	-	-	62 842 822
Water	21 007 589	257 088	21 264 677	-	-	21 264 677	21 957 854	-	693 177	103 %	105 %	-	-	-	19 386 190
Waste management	7 947 028	162 478	8 109 506	-	-	8 109 506	7 590 229	-	(519 277)	94 %	96 %	-	-	-	4 922 370
Total Expenditure - Standard	230 855 647	38 122 525	268 978 172	-	-	268 978 172	271 461 793	-	2 483 621	101 %	118 %	-	-	-	261 508 303
Surplus/(Deficit) for the year	16 781 319	(14 081 320)	2 699 999	-		2 699 999	28 021 975		25 321 976	1 038 %	167 %				(29 215 204)

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

	2014/2013									2013/2012					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	41 550 050	(421 124)	41 128 926	-		41 128 926	53 068 691		11 939 765	129 %	128 %				42 378 149
Service charges - electricity revenue	74 128 925	8 475 647	82 604 572	-		82 604 572	84 137 611		1 533 039	102 %	114 %				72 863 467
Service charges - water revenue	19 295 518	(1 266 151)	18 029 367	-		18 029 367	18 779 700		750 333	104 %	97 %				19 457 180
Service charges - sanitation revenue	6 260 280	(930 846)	5 329 434	-		5 329 434	6 816 399		1 486 965	128 %	109 %				6 495 433
Service charges - refuse revenue	5 903 193	(994 513)	4 908 680	-		4 908 680	6 029 531		1 120 851	123 %	102 %				5 667 755
Rental of facilities and equipment	214 100	1 130 612	1 344 712	-		1 344 712	978 896		(365 816)	73 %	457 %				533 113
Interest earned - external investments	356 000	-	356 000	-		356 000	782 137		426 137	220 %	220 %				325 203
Interest earned - outstanding debtors	9 785 000	-	9 785 000	-		9 785 000	3 891 386		(5 893 614)	40 %	40 %				6 004 949
Fines	3 600 000	-	3 600 000	-		3 600 000	29 904 329		26 304 329	831 %	831 %				6 131 353
Licences and permits	8 750 000	-	8 750 000	-		8 750 000	9 122 563		372 563	104 %	104 %				9 453 516
Transfers recognised - operational	72 644 000	13 781 000	86 425 000	-		86 425 000	80 417 666		(6 007 334)	93 %	111 %				50 833 185
Other revenue	3 649 900	5 766 580	9 416 480	-		9 416 480	5 554 858		(3 861 622)	59 %	152 %				12 149 797
Total Revenue (excluding capital transfers and contributions)	246 136 966	25 541 205	271 678 171	-		271 678 171	299 483 767		27 805 596	110 %	122 %				232 293 100

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

	2014/2013								2013/2012						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	72 817 789	4 750 401	77 568 190	-	-	77 568 190	75 955 808	-	(1 612 382)	98 %	104 %	-	-	-	63 889 471
Remuneration of councillors	5 027 357	1 003 606	6 030 963	-	-	6 030 963	5 801 380	-	(229 583)	96 %	115 %	-	-	-	4 894 801
Debt impairment	17 720 000	-	17 720 000	-	-	17 720 000	25 504 703	-	7 784 703	144 %	144 %	-	-	-	34 770 337
Depreciation & asset impairment	7 500 000	21 800 000	29 300 000	-	-	29 300 000	28 883 761	-	(416 239)	99 %	385 %	-	-	-	31 985 073
Finance charges	3 105 000	480 000	3 585 000	-	-	3 585 000	3 309 616	-	(275 384)	92 %	107 %	-	-	-	3 175 990
Bulk purchases	67 515 138	(170 000)	67 345 138	-	-	67 345 138	59 902 603	-	(7 442 535)	89 %	89 %	-	-	-	60 018 986
Other materials	9 985 500	3 179 075	13 164 575	-	-	13 164 575	12 277 714	-	(886 861)	93 %	123 %	-	-	-	8 632 302
Contracted services	20 301 254	2 408 300	22 709 554	-	-	22 709 554	22 715 625	-	6 071	100 %	112 %	-	-	-	19 858 583
Other expenditure	26 883 606	4 671 144	31 554 750	-	-	31 554 750	27 780 137	-	(3 774 613)	88 %	103 %	-	-	-	27 308 546
Total Expenditure	230 855 644	38 122 526	268 978 170	-	-	268 978 170	262 131 347	-	(6 846 823)	97 %	114 %	-	-	-	254 534 089
Surplus/(Deficit)	15 281 322	(12 581 321)	2 700 001	-	-	2 700 001	37 352 420	-	34 652 419	1 383 %	244 %	-	-	-	(22 240 989)
Fair value adjustments	-	-	-	-	-	-	1 772 020	-	1 772 020	DIV/0 %	DIV/0 %	-	-	-	(7 732 368)
Actuarial Gain / (Loss)	-	-	-	-	-	-	(11 102 465)	-	(11 102 465)	DIV/0 %	DIV/0 %	-	-	-	758 154
Surplus/(Deficit) after capital transfers & contributions	15 281 322	(12 581 321)	2 700 001	-	-	2 700 001	28 021 975	-	25 321 974	1 038 %	183 %	-	-	-	(29 215 203)
Surplus/(Deficit) after taxation	15 281 322	(12 581 321)	2 700 001	-	-	2 700 001	28 021 975	-	25 321 974	1 038 %	183 %	-	-	-	(29 215 203)
Surplus/(Deficit) attributable to municipality	15 281 322	(12 581 321)	2 700 001	-	-	2 700 001	28 021 975	-	25 321 974	1 038 %	183 %	-	-	-	1
Surplus/(Deficit) for the year	15 281 322	(12 581 321)	2 700 001	-	-	2 700 001	28 021 975	-	25 321 974	1 038 %	183 %	-	-	-	1