



**//KHARA HAIS MUNICIPALITY**  
**AUDITED ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2014**

# //KHARA HAIS MUNICIPALITY

## Annual Financial Statements For the Year Ended 30 June 2014

### GENERAL INFORMATION

#### NATURE OF BUSINESS

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

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998) and are classified as a medium capacity municipality.

#### JURISDICTION

The //Khara Hais Municipality includes the following areas:

Upington	Karos
Leerkrans	Lambrechtsdrift
Kalksloot	Sesbrugge

The total population of //Khara Hais Municipality is 102 692 (STATS 2011) and the jurisdiction size is 3 444 km<sup>2</sup>.

#### MEMBERS OF COUNCIL

LA Koloji	Mayor
T Basson	Speaker
E Allies	Member of Executive Committee
M Segede	Member of Executive Committee
JL Snyman	Member of Executive Committee
K de Wee	Member of Executive Committee
MM Abels	Councillor
E Munnik	Councillor
M Andreas	Councillor
J Assegaai	Councillor
MG Brand	Councillor
M Kock	Councillor
J Thomas	Councillor
R George	Councillor
J Isaacs	Councillor
E Lebitsa	Councillor
SP May	Councillor
E Mnyaka	Councillor
J Moya	Councillor
D Ntlanganiso	Councillor
M Plaaityjies	Councillor
IISS Selborne	Councillor
PT van der Steen	Councillor
AJ van Rooyen	Councillor
A van Wyk	Councillor
One vacant councillor position	

#### MUNICIPAL MANAGER:

Dalixolo Eric Ngxanga

#### CHIEF FINANCIAL OFFICER:

Gaylene Mercia Schreiner

# //KHARA HAIS MUNICIPALITY

## Annual Financial Statements For the Year Ended 30 June 2014

### GENERAL INFORMATION

<b><u>GRADING OF LOCAL AUTHORITY:</u></b>	Grade 3
<b><u>AUDITORS:</u></b>	Auditor-General (Northern Cape)
<b><u>PRIMARY BANKERS:</u></b>	ABSA Bank Ltd
<b><u>RELEVANT LEGISLATION:</u></b>	
Municipal Finance Management Act (Act no 56 of 2003)	
Division of Revenue Act	
The Income Tax Act	
Value Added Tax Act	
Municipal Structures Act (Act no 117 of 1998)	
Municipal Systems Act (Act no 32 of 2000)	
Municipal Planning and Performance Management Regulations	
Water Services Act (Act no 108 of 1997)	
Housing Act (Act no 107 of 1997)	
Municipal Property Rates Act (Act no 6 of 2004)	
Electricity Act (Act no 41 of 1987)	
Skills Development Levies Act (Act no 9 of 1999)	
Employment Equity Act (Act no 55 of 1998)	
Unemployment Insurance Act (Act no 30 of 1966)	
Basic Conditions of Employment Act (Act no 75 of 1997)	
Supply Chain Management Regulations, 2005	
Collective Agreements	
Infrastructure Grants	
SALBC Leave Regulations	
<b><u>PHYSICAL ADDRESS:</u></b>	Civic Centre Market Street Upington 8800
<b><u>POSTAL ADDRESS:</u></b>	Private Bag X6003 Upington 8800
<b><u>TELEPHONE NUMBER:</u></b>	(054) 338 7000
<b><u>FAX NUMBER:</u></b>	(054) 338 7350
<b><u>WEBSITE:</u></b>	<a href="http://www.kharahais.gov.za">www.kharahais.gov.za</a>
<b><u>EMAIL ADDRESSES:</u></b>	
Municipal Manager	<a href="mailto:manager@kharahais.gov.za">manager@kharahais.gov.za</a>
Chief Financial Officer	<a href="mailto:cfo@kharahais.gov.za">cfo@kharahais.gov.za</a>

**//KHARA HAIS MUNICIPALITY**

**Annual Financial Statements For the Year Ended 30 June 2014**

**GENERAL INFORMATION**

**Approval of annual financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 100, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the 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 25 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.

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**Municipal Manager**

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**Date signed**

# //KHARA HAIS MUNICIPALITY

## Annual Financial Statements For the Year Ended 30 June 2014

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**//KHARA HAIS MUNICIPALITY**



**// KHARA HAIS MUNICIPALITY  
STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2014**

	Note	2014 Restated R	2014 Original R	2013 Restated R
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>1 791 958 615</b>	<b>1 779 492 738</b>	<b>1 779 743 051</b>
Property, plant and equipment	1.1	1 577 881 955	1 577 744 713	1 576 756 430
Intangible assets	1.2	306 949	306 949	1 255 222
Investment Property	1.3	209 472 908	197 144 273	197 429 696
Heritage Assets	1.4	4 273 005	4 273 005	4 273 005
Non-current receivables	2	23 798	23 798	28 699
<b>Current assets</b>		<b>66 096 488</b>	<b>66 514 049</b>	<b>81 022 821</b>
Inventory	3	5 774 777	5 774 777	6 051 085
Trade receivables from exchange transactions	4	46 126 729	46 744 290	41 719 220
Trade receivables from non-exchange transactions	4	4 268 442	4 158 961	4 073 966
Other receivables	5	707 687	617 168	4 523 127
Unpaid conditional grants and receipts	6	5 181 441	5 181 441	5 297 660
Short term investments	7	668 913	154 541	634 714
Cash and cash equivalents	8	2 871 591	3 385 963	18 716 785
VAT Receivable	17	492 508	492 508	-
Current portion of receivables	2	4 400	4 400	6 263
<b>TOTAL ASSETS</b>		<b>1 858 055 102</b>	<b>1 846 006 787</b>	<b>1 860 765 872</b>
<b>NET ASSETS AND LIABILITIES</b>				
<b>Non-current liabilities</b>		<b>207 055 754</b>	<b>205 813 493</b>	<b>213 893 695</b>
Non-current borrowings	9	122 438 276	122 311 750	133 562 922
Employee Benefits	10	80 826 998	80 826 998	79 007 241
Non-current Provisions	11	3 790 480	2 674 744	1 323 531
<b>Current liabilities</b>		<b>174 836 050</b>	<b>173 924 957</b>	<b>143 682 476</b>
Current portion of borrowings	9	23 229 362	23 351 725	15 919 835
Consumer deposits	12	8 112 290	8 112 290	7 404 111
Current Employee Benefits	13	4 155 000	4 155 000	3 153 739
Provisions	14	1 276 954	1 259 019	722 479
Trade and other payables	15	97 821 064	96 805 543	52 816 481
Unspent conditional grants and receipts	16	36 248 360	36 248 360	37 174 082
VAT payable	17	-	-	10 137 668
Bank Overdraft	18	3 993 021	3 993 021	16 354 082
<b>Net assets</b>		<b>1 476 163 298</b>	<b>1 466 268 337</b>	<b>1 503 189 702</b>
Accumulated surplus / (deficit)	19	1 476 163 298	1 466 268 337	1 503 189 702
<b>TOTAL NET ASSETS AND LIABILITIES</b>		<b>1 858 055 102</b>	<b>1 846 006 787</b>	<b>1 860 765 872</b>

**//KHARA HAIS MUNICIPALITY**



**//KHARA HAIS MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 Restated R	2014 Original R	2013 Restated R
<b>REVENUE</b>				
<b>Revenue from Non-Exchange Transactions</b>		<b>203 178 681</b>	<b>205 496 465</b>	<b>171 304 028</b>
<b>Taxation Revenue</b>		<b>61 002 862</b>	<b>61 002 862</b>	<b>50 437 491</b>
Property rates	20	61 002 862	61 002 862	50 437 491
<b>Transfer Revenue</b>		<b>122 553 036</b>	<b>122 553 036</b>	<b>108 906 882</b>
Government grants and subsidies - Operating	22	69 642 640	69 642 640	66 749 986
Government grants and subsidies - Capital	22	52 910 396	52 910 396	42 156 896
<b>Other Revenue</b>		<b>19 622 783</b>	<b>21 940 567</b>	<b>11 959 654</b>
Actuarial Gain	10	6 706 302	6 706 302	-
Fines		873 270	873 270	1 313 020
Reversal of a Provision		-	-	-
Fair Value Adjustment on Investment Property		12 043 212	14 360 995	10 646 634
<b>Revenue from Exchange Transactions</b>		<b>333 769 651</b>	<b>332 262 284</b>	<b>288 070 198</b>
Service Charges	21	306 086 270	304 578 903	266 271 854
Rental of facilities and equipment		8 123 689	8 123 689	6 273 458
Interest earned - external investments		1 164 803	1 164 803	1 285 531
Interest earned - outstanding receivables		1 996 524	1 996 524	1 778 870
Licences and permits		1 642 016	1 642 016	1 681 009
Income for agency service		3 457 704	3 457 704	3 197 612
Income for housing agency service		648 363	648 363	563 498
Employee housing		104 375	104 375	102 182
Other income	23	7 469 669	7 469 669	5 796 578
Gain on Disposal of Property, Plant and Equipment		3 076 238	3 076 238	1 119 606
		<b>536 948 332</b>	<b>537 758 749</b>	<b>459 374 226</b>
Less: Revenue forgone		(2 138 216)	(2 138 216)	(2 051 025)
<b>TOTAL REVENUE</b>		<b>534 810 116</b>	<b>535 620 533</b>	<b>457 323 201</b>
<b>EXPENDITURE</b>				
		<b>561 836 519</b>	<b>556 957 807</b>	<b>520 087 440</b>
Employee related costs	24	199 439 592	198 424 071	180 520 798
Remuneration of councillors	25	7 120 447	7 120 447	6 803 942
Contributions to provisions - Bad debts	26.1	240 590	240 590	6 401 289
Contributions to provisions - Other	26.2	14 283 163	13 149 492	10 252 146
Actuarial Loss	10	-	-	1 266 311
Collection cost		154 825	154 825	196 075
Depreciation and amortisation expense	27	82 804 120	82 834 743	83 286 688
Impairment Losses	27	11 709 085	11 708 909	3 559 485
Repairs and maintenance	28	10 558 606	10 558 606	12 636 146
Finance costs	29	19 944 458	17 198 460	14 056 565
Bulk purchases	30	136 031 708	136 031 708	122 836 986
Contracted services	31	15 953 849	15 953 849	15 961 859
Grants and subsidies paid	32	27 209 537	27 209 537	25 477 682
Operating projects	33	1 394 202	1 394 202	983 122
General expenses	34	34 992 337	34 978 367	35 848 347
Loss on sale of Property, Plant and Equipment		-	-	-
<b>TOTAL EXPENDITURE</b>		<b>561 836 519</b>	<b>556 957 807</b>	<b>520 087 440</b>
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>(27 026 403)</b>	<b>(21 337 275)</b>	<b>(62 764 239)</b>

**//KHARA HAIS MUNICIPALITY**



**Statement of Changes in Net Assets for the Year Ended 30 June 2014**

	Revaluation Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R
<b>2013</b>			
<b>Balance at 1 July 2012</b>	-	1 611 253 049	<b>1 611 253 049</b>
Correction of Error (Prior Year)	-	-	-
<b>Restated Balance</b>	-	<b>1 611 253 049</b>	<b>1 611 253 049</b>
Surplus / (Deficit) for the Year - refer to note 36.15	-	(45 299 108)	<b>(45 299 108)</b>
<b>Balance at 30 June 2013</b>	-	<b>1 565 953 941</b>	<b>1 565 953 941</b>
Surplus / (Deficit) for the Year - refer to note 36.16	-	(62 764 239)	<b>(62 764 239)</b>
<b>Restated Balance 30 June 2013</b>	-	<b>1 503 189 702</b>	<b>1 503 189 702</b>
Other Transfers	-	-	-
Surplus / (Deficit) for the Year	-	(27 026 403)	<b>(27 026 403)</b>
<b>Balance at 30 June 2014</b>	-	<b>1 476 163 299</b>	<b>1 476 163 299</b>



**//KHARA HAIS MUNICIPALITY**



**Cash Flow Statement for the Year Ended 30 June 2014**

	Note	2014 R	2013 R
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
<b>Receipts</b>			
Ratepayers and other		375 043 777	326 243 620
Government - operating	22	69 642 640	66 749 986
Government - capital	22	52 910 396	42 156 896
Interest		3 161 327	3 064 401
<b>Payments</b>			
Suppliers and employees		(362 339 682)	(373 990 419)
Transfers and Grants	32	(27 209 537)	(25 477 682)
Finance charges	29	(19 944 458)	(14 056 565)
<b>Net Cash flow from operating activities</b>		<b>91 264 462</b>	<b>24 690 238</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Purchase of Property, Plant and Equipment		(94 967 081)	(74 250 042)
(Loss) / Proceeds on Disposal of Property, Plant and Equipment		3 076 238	1 119 606
Purchase of Intangible assets		(30 000)	(460 218)
Disposal of PPE		306 624	183 040
Decrease / (Increase) in Call Investment Deposits		(34 199)	(634 714)
Decrease / (Increase) in Non-Current Receivables		6 762	(13 511)
<b>Net Cash From Investing Activities</b>		<b>(91 641 656)</b>	<b>(74 055 839)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Loans Repaid		(12 355 283)	(10 232 455)
New Loans Raised		8 540 164	65 624 326
Increase / (Decrease) in Consumer Deposits		708 179	1 265 101
<b>Net Cash From Financing Activities</b>		<b>(3 106 940)</b>	<b>56 656 972</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS FROM ACTIVITIES</b>		<b>(3 484 133)</b>	<b>7 291 370</b>
Cash and cash equivalents at the beginning of the year		2 362 703	(4 928 667)
Cash and cash equivalents at the end of the year	35.2	(1 121 430)	2 362 703
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(3 484 133)</b>	<b>7 291 370</b>

## //KHARA HAIS MUNICIPALITY



//KHARA HAIS MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2014

	2014 Original Approved Budget R	2014 Adjustments R	2014 Final Approved Budget R	2014 Final Year-End Budget R	2014 Actuals R	2014 Variance R	Explanations for material variances
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash	5 660	-	5 660	5 660	5 840	180	
Call investment deposits	16 281 371	(4 281 371)	12 000 000	12 000 000	3 534 663	(8 465 337)	Investments were used to refund unspent capital grants of previous years
Consumer debtors	23 027 375	14 598 065	37 625 441	37 625 441	50 395 171	12 769 730	Trouble experience with implementation of Credit Control Policy
Other debtors	3 715 362	3 284 638	7 000 000	7 000 000	6 381 637	(618 363)	Restatement of FMG & MSIG
Current portion of long-term receivables	-	6 263	6 263	6 263	4 400	(1 863)	Amount as per repayment schedule
Inventory	3 784 638	2 715 362	6 500 000	6 500 000	5 774 777	(725 223)	Better control regarding inventory by reducing redundant stock
<b>Total Current Assets</b>	<b>46 814 407</b>	<b>16 322 957</b>	<b>63 137 363</b>	<b>63 137 363</b>	<b>66 096 488</b>	<b>2 959 124</b>	
<b>Non Current Assets</b>							
Long-term receivables	-	22 436	22 436	22 436	23 798	1 363	As per repayment schedule
Investment property	182 357 250	40 754 700	223 111 950	223 111 950	209 472 908	(13 639 042)	Restatement of asset register
Property, plant and equipment	2 034 672 571	(403 253 906)	1 631 418 665	1 631 418 665	1 582 154 960	(49 263 705)	Restatement of asset register
Intangible	2 140 370	(885 148)	1 255 222	1 255 222	306 949	(948 273)	Amortisation of Intangibles budgeted for at PPE
<b>Total Non Current Assets</b>	<b>2 219 170 191</b>	<b>(363 361 918)</b>	<b>1 855 808 273</b>	<b>1 855 808 273</b>	<b>1 791 958 615</b>	<b>(63 849 658)</b>	
<b>TOTAL ASSETS</b>	<b>2 265 984 598</b>	<b>(347 038 962)</b>	<b>1 918 945 636</b>	<b>1 918 945 636</b>	<b>1 858 055 103</b>	<b>(60 890 534)</b>	
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Bank overdraft	5 000 000	5 000 000	10 000 000	10 000 000	3 993 021	(6 006 979)	Own funds were used to refund unspent capital grants of previous years
Borrowing	17 073 933	1 000 000	18 073 933	18 073 933	23 229 362	5 155 428	Repayment on additional loans not budgeted
Consumer deposits	11 000 000	(3 500 000)	7 500 000	7 500 000	8 112 290	612 290	New housing developments lead to increase in connections
Trade and other payables	71 292 814	21 525 607	92 818 420	92 818 420	134 069 424	41 251 003	Debtors not recovered resulted in cash flow problems and creditors not being paid
Provisions	10 000 001	(1 000 001)	9 000 000	9 000 000	5 431 954	(3 568 046)	Three year phase in period for PEMA & LSA concluded
<b>Total Current Liabilities</b>	<b>114 366 748</b>	<b>23 025 606</b>	<b>137 392 354</b>	<b>137 392 354</b>	<b>174 836 050</b>	<b>37 443 696</b>	
<b>Non Current Liabilities</b>							
Borrowing	173 616 488	20 165 830	193 782 318	193 782 318	122 438 276	(71 344 042)	Loans budgeted for did not materialised
Provisions	90 775 374	(1 522 438)	89 252 936	89 252 936	84 617 478	(4 635 458)	Three year phase in period for PEMA & LSA concluded
<b>Total Non Current Liabilities</b>	<b>264 391 862</b>	<b>18 643 392</b>	<b>283 035 254</b>	<b>283 035 254</b>	<b>207 055 754</b>	<b>(75 979 500)</b>	
<b>TOTAL LIABILITIES</b>	<b>378 758 610</b>	<b>41 668 998</b>	<b>420 427 608</b>	<b>420 427 608</b>	<b>381 891 804</b>	<b>(38 535 804)</b>	
<b>NET ASSETS</b>	<b>1 887 225 989</b>	<b>(388 707 960)</b>	<b>1 498 518 029</b>	<b>1 498 518 029</b>	<b>1 476 163 298</b>	<b>(22 354 730)</b>	
<b>COMMUNITY WEALTH / EQUITY</b>							
<b>Accumulated Surplus</b>	<b>1 887 225 989</b>	<b>(388 707 960)</b>	<b>1 498 518 028</b>	<b>1 498 518 029</b>	<b>1 476 163 298</b>	<b>(22 354 730)</b>	
<b>TOTAL COMMUNITY WEALTH / EQUITY</b>	<b>1 887 225 989</b>	<b>(388 707 960)</b>	<b>1 498 518 028</b>	<b>1 498 518 029</b>	<b>1 476 163 298</b>	<b>(22 354 730)</b>	

**//KHARA HAIS MUNICIPALITY**

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



	2014 ACTUAL R	2014 FINAL BUDGET R	2014 VARIANCE R	EXPLANATIONS - MATERIAL VARIANCES
<b>REVENUE BY SOURCE</b>				
Property rates	58 864 646	61 162 946	(2 298 300)	New housing development not yet registered
Service charges	306 086 270	302 005 613	4 080 657	Offsetting of municipal consumption budgeted against income
Rental of facilities and equipment	8 123 689	7 047 682	1 076 007	Rental of erven for new shopping mall
Interest earned - external investments	1 164 803	914 217	250 586	Increases in repo rates
Interest earned - outstanding receivables	1 996 524	1 682 327	314 197	Increase in debtors resulted in additional interest levied
Fines	873 270	865 472	7 798	
Licences and permits	1 642 016	1 670 187	(28 171)	
Agency services	3 457 704	3 476 800	(19 096)	
Transfers recognised - operating	69 642 640	68 373 242	1 269 398	
Other revenue	26 971 921	9 936 470	17 035 451	Increase in non-cash items: Fair Value
Gains on disposal of PPE	3 076 238	4 500 000	(1 423 762)	Adjustment and Actuarial Gain Sale of erven not materialised
<b>Total Operating Revenue</b>	<b>481 899 719</b>	<b>461 634 956</b>	<b>20 264 763</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	199 439 592	199 803 930	(364 338)	Better controls implemented for overtime
Remuneration of councillors	7 120 447	7 483 334	(362 887)	Municipality was downgraded to a grade 4 municipality
Debt impairment	240 590	1 000 000	(759 410)	Decrease in debtor collection days
Depreciation and asset impairment	94 513 205	108 541 880	(14 028 675)	Restatement of asset register
Finance Charges	19 944 458	16 227 962	3 716 496	Penalty interest on late payments due to cash flow problems
Bulk purchases	136 031 708	133 531 083	2 500 625	Additional Eskom levies for increased electricity demand
Contracted services	15 953 849	20 584 654	(4 630 805)	Cost containment measures implemented
Transfers and grants	27 209 537	25 743 902	1 465 635	Increase in demand for indigent subsidy
Other expenditure	61 383 133	65 428 186	(4 045 053)	Cost containment measures implemented
Loss on disposal of PPE	-	-	-	
<b>Total Operating Expenditure</b>	<b>561 836 519</b>	<b>578 344 931</b>	<b>(16 508 412)</b>	
<b>Operating (Deficit) for the year</b>	<b>(79 936 800)</b>	<b>(116 709 975)</b>	<b>36 773 175</b>	
Transfers Recognised - Capital	52 910 396	73 032 301	(20 121 905)	Capital projects not completed
<b>(DEFICIT) FOR THE YEAR</b>	<b>(27 026 403)</b>	<b>(43 677 674)</b>	<b>16 651 271</b>	

**//KHARA HAIS MUNICIPALITY**



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

	2014 Original Approved Budget R	2014 Adjustments R	2014 Final Approved Budget R	2014 Final Virements R	2014 Final Year-End Budget R
<b>REVENUE BY SOURCE</b>					
Property rates	61 170 021	(7 075)	61 162 946	-	61 162 946
Service charges	311 679 055	(9 673 441)	302 005 613	-	302 005 613
Rental of facilities and equipment	7 018 121	29 561	7 047 682	-	7 047 682
Interest earned - external investments	1 005 006	(90 789)	914 217	-	914 217
Interest earned - outstanding receivables	1 682 327	-	1 682 327	-	1 682 327
Fines	2 054 650	(1 189 178)	865 472	-	865 472
Licences and permits	1 658 187	12 000	1 670 187	-	1 670 187
Agency services	3 476 800	-	3 476 800	-	3 476 800
Transfers recognised - operating	64 764 122	3 609 119	68 373 242	-	68 373 242
Other revenue	3 926 048	6 010 422	9 936 470	-	9 936 470
Gains on disposal of PPE	7 000 000	(2 500 000)	4 500 000	-	4 500 000
<b>Total Operating Revenue</b>	<b>465 434 337</b>	<b>(3 799 381)</b>	<b>461 634 956</b>	<b>-</b>	<b>461 634 956</b>
<b>EXPENDITURE BY TYPE</b>					
Employee related costs	194 753 108	4 998 421	199 751 529	52 401	199 803 930
Remuneration of councillors	7 279 518	249 999	7 529 517	(46 183)	7 483 334
Debt impairment	1 000 000	-	1 000 000	-	1 000 000
Depreciation and asset impairment	108 541 880	-	108 541 880	-	108 541 880
Finance Charges	15 369 151	259 211	15 628 362	599 600	16 227 962
Bulk purchases	131 914 583	2 200 000	134 114 583	(583 500)	133 531 083
Contracted services	17 167 184	3 503 728	20 670 912	(86 258)	20 584 654
Transfers and grants	25 983 902	(90 000)	25 893 902	(150 000)	25 743 902
Other expenditure	82 999 019	(17 784 774)	65 214 245	213 941	65 428 186
Loss on disposal of PPE	-	-	-	-	-
<b>Total Operating Expenditure</b>	<b>585 008 344</b>	<b>(6 663 414)</b>	<b>578 344 930</b>	<b>-</b>	<b>578 344 931</b>
<b>Operating (Deficit) for the year</b>	<b>(119 574 007)</b>	<b>2 864 033</b>	<b>(116 709 974)</b>	<b>-</b>	<b>(116 709 975)</b>
Transfers Recognised - Capital	37 043 590	35 988 711	73 032 301	-	73 032 301
<b>(DEFICIT) FOR THE YEAR</b>	<b>(82 530 417)</b>	<b>38 852 744</b>	<b>(43 677 673)</b>	<b>-</b>	<b>(43 677 674)</b>

**//KHARA HAIS MUNICIPALITY**

**//KHARA HAIS MUNICIPALITY  
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
CASHFLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2014**



	2014 Original Approved Budget R	2014 Adjustments R	2014 Final Approved Budget R	2014 Final Year-End Budget R	2014 Actuals R	2014 Variance R	Explanations for material variances
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>							
<b>Receipts</b>							
Ratepayers and other	389 082 881	8 909 581	397 992 462	397 992 462	375 043 777	(22 948 685)	Trouble experience with implementation of Credit Control Policy
Government - operating	64 764 122	3 609 119	68 373 242	68 373 242	69 642 640	1 269 398	Additional COGHSTA funding received
Government - capital	37 043 590	35 988 711	73 032 301	73 032 301	52 910 396	(20 121 905)	Capital projects not completed
Interest	2 687 333	(90 789)	2 596 544	2 596 544	3 161 327	564 783	Increase in debtors resulted in additional interest levied
<b>Payments</b>							
Suppliers and employees	(427 561 117)	7 774 184	(419 786 933)	(419 786 933)	(362 339 682)	57 447 251	Cost containment measures implemented
Finance charges	(15 369 151)	(259 211)	(15 628 362)	(15 628 362)	(19 944 458)	(4 316 096)	Penalty interest on late payments due to cash flow problems
Transfers and grants	(25 983 902)	90 000	(25 893 902)	(25 893 902)	(27 209 537)	(1 315 635)	Increase in demand for indigent subsidy
<b>NET CASH FROM / (USED) OPERATING ACTIVITIES</b>	<b>24 663 756</b>	<b>56 021 596</b>	<b>80 685 352</b>	<b>80 685 352</b>	<b>91 264 462</b>	<b>10 579 110</b>	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>							
<b>Receipts</b>							
Proceeds on disposal of PPE	7 000 000	(2 500 000)	4 500 000	4 500 000	3 076 238	(1 423 762)	Sale of erven not materialised
Decrease / (Increase) in non-current debtors	-	-	-	-	-	-	
Decrease / (Increase) in non-current receivables	-	6 263	6 263	6 263	6 762	500	
Decrease / (Increase) in non-current investments	1 000 000	(1 000 000)	-	-	(34 199)	(34 199)	Removal of trust accounts from AFS
<b>Payments</b>							
Capital assets	(65 814 924)	(81 453 175)	(147 268 099)	(147 268 099)	(94 690 457)	52 577 642	Capital projects not completed
<b>NET CASH FROM / (USED) INVESTING ACTIVITIES</b>	<b>(57 814 924)</b>	<b>(84 946 912)</b>	<b>(142 761 836)</b>	<b>(142 761 836)</b>	<b>(91 641 656)</b>	<b>51 120 181</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>							
<b>Receipts</b>							
Borrowing long term / financing	44 427 440	27 433 283	71 860 723	71 860 723	8 540 164	(63 320 559)	Loans budgeted for not materialised
Increase (decrease) in consumer deposits	41 924	53 966	95 889	95 889	708 179	612 290	New housing developments lead to increase in connections
<b>Payments</b>							
Repayment of borrowing	(14 774 900)	3 929 487	(10 845 413)	(10 845 413)	(12 355 283)	(1 509 869)	Repayment on additional loans not budgeted
<b>NET CASH FROM / (USED) FINANCING ACTIVITIES</b>	<b>29 694 463</b>	<b>31 416 736</b>	<b>61 111 199</b>	<b>61 111 199</b>	<b>(3 106 940)</b>	<b>(64 218 139)</b>	
<b>NET INCREASE / (DECREASE) IN CASH HELD</b>	<b>(3 456 705)</b>	<b>2 491 419</b>	<b>(965 285)</b>	<b>(965 285)</b>	<b>(3 484 133)</b>	<b>(2 518 848)</b>	
Cash / cash equivalents at the year begin:	10 743 736	-	2 970 945	2 970 945	2 362 703	(608 242)	
Cash / cash equivalents at the year end:	7 287 032	-	2 005 660	2 005 660	(1 121 430)	(3 127 090)	

## //KHARA HAIS MUNICIPALITY

### Accounting Policies for the Annual Financial Statements For the Year Ended 30 June 2014

#### 1 BASIS OF PRESENTATION

- 1.1 The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.
- 1.2 These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).
- 1.3 Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised - February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.
- 1.4 The Municipality resolved the early adopt the following GRAP standards which have been issued but are not effective yet.

Standard	Description	Effective Date
GRAP 5 (Revised - Feb 2013)	Borrowing Costs	1 April 2014
GRAP 100 (Revised - Feb 2013)	Discontinued Operations (formerly known as Non-	1 April 2014

- 1.5 A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.
- 1.6 Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.
- 1.7 The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.
- 1.8 Standards, amendments to Standards and Interpretations issued but not yet effective

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

Standard	Description	Effective Date
<p>GRAP 18</p> <p>(Revised - Feb 2011)</p>	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.</p>	<p>1 April 2015</p>
<p>GRAP 20</p> <p>(Original - Jun 2011)</p>	<p><b>Related Party Disclosure</b></p> <p>The objective of this interpretation of the Standards is to prescribe which persons qualify as related parties and which information should be disclosed in the AFS.</p> <p>No significant impact is expected as the Municipality already implemented controls to ensure that related party disclosures are met.</p>	<p>Unknown</p>
<p>GRAP 32</p> <p>(Original - Aug 2013)</p>	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for services concession arrangements by the grantor, a public sector entity.</p> <p>No significant impact is expected as the Municipality does not have any concessions at this stage.</p>	<p>Unknown</p>
<p>GRAP 105</p> <p>(Original - Nov 2010)</p>	<p><b>Transfer of Functions Between Entities Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	<p>1 April 2015</p>

<p><b>GRAP 106</b></p> <p>(Original - Nov 2010)</p>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities not under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	<p><b>1 April 2015</b></p>
<p><b>GRAP 107</b></p> <p>(Original - Nov 2010)</p>	<p><b>Mergers</b></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	<p><b>Unknown</b></p>
<p><b>GRAP 108</b></p> <p>(Original - Sep 2013)</p>	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p><b>Unknown</b></p>
<p><b>IGRAP 11</b></p>	<p><b>Consolidation - Special Purpose Entities (SPE)</b></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<p><b>Unknown</b></p>



IGRAP 12	<p><b>Jointly Controlled Entities Non-Monetary Contributions</b></p> <p>The objective of this interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE)</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown
IGRAP 17	<p><b>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</b></p> <p>The objective of this Interpretation of the Standard is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No significant impact is expected as the Municipality does not have any Concession Arrangement at this stage.</p>	Unknown

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

## **2 USE OF ESTIMATES AND JUDGEMENTS**

- 2.1 The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice (GRAP) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and, actual results may differ from these estimates.
- 2.2 Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period which the estimates are revised and in any future affected.

## **3 PRESENTATION CURRENCY**

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

## **4 GOING CONCERN ASSUMPTION**

- 4.1 The Municipality is deemed a going concern, following an assessment made by management during the compilation of the annual financial statements.

## **5 RESERVES**

### **5.1 Revaluation Reserve (Non-Distributable Reserve)**

- 5.1.1** The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP standards.
- 5.1.2** All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.
- 5.1.3** All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

## **6 PROPERTY, PLANT AND EQUIPMENT**

### **6.1 Initial Recognition**

- 6.1.1** Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.
- 6.1.2** The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.
- 6.1.3** Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.
- 6.1.4** 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.
- 6.1.5** Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.
- 6.1.6** The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.
- 6.1.7** Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### **6.2 Subsequent Measurement**

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

- 6.2.2 Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.
- 6.2.3 Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.
- 6.2.4 Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

### 6.3 Depreciation

- 6.3.1 Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Asset Group	Years	Asset Group	Years
Community Assets - Cemeteries	15 - 50	Infrastructural assets	15 - 30
Community Assets - Parks	25 - 30	Other vehicles	4 - 10
Community Assets - Recreational Facilities	10 - 50	Office equipment	3 - 15
Community Assets - Sporting Facilities	25 - 60	Furniture and fittings	3 - 10
Heritage Assets - Buildings	50	Watercraft	15 - 20
Heritage Assets - Land	Indefinite	Bins and containers	10 - 15
Infrastructure - Electricity	15 - 55	Specialised plant and equipment	10 - 15
Infrastructure - Roads, Pavements, Bridges and Storm Water	15 - 100	Other items of plant and equip	2 - 10
Infrastructure - Sanitation	3 - 50	Security	3 - 5
Infrastructure - Sewerage	10 - 80	Buildings	10 - 50
Infrastructure - Water	10 - 75	Specialist vehicles	10 - 15
Land and Buildings - Land	Indefinite	Landfill sites	1 - 50

- 6.3.2 The above-mentioned estimated useful lives of assets are defined in more detail in Appendix B (Infrastructure Asset Classification) of the Municipality's Asset Management Policy.
- 6.3.3 Depreciation only commences when the asset is available for use, unless stated otherwise.
- 6.3.4 The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

### 6.4 Incomplete Construction Work

- 6.4.1 Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

### 6.5 Finance Leases

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

### 6.6 Land

- 6.6.1 Land is not depreciated as it is deemed to have an indefinite useful life.

## **6.7 Derecognition of Property, Plant and Equipment**

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

## **7 INTANGIBLE ASSETS**

### **7.1 Initial Recognition**

- 7.1.1 Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.
- 7.1.2 Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:
  - 7.1.2.1 It is technically feasible to complete the intangible asset so that it will be available for use;
  - 7.1.2.2 Management intends to complete the intangible asset and use or sell it;
  - 7.1.2.3 There is an ability to use or sell the intangible asset;
  - 7.1.2.4 It can be demonstrated how the intangible asset will generate probable future economic benefits;
  - 7.1.2.5 Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
  - 7.1.2.6 The expenditure attributable to the intangible asset during its development can be reliably measured.
- 7.1.3 Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21.
- 7.1.4 Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### **7.2 Subsequent Measurement, Amortisation and Impairment**

- 7.2.1 After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

- 7.2.3 After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in surplus or deficit.
- 7.2.4 Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.
- 7.2.5 In terms of GRAP 31 intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.
- 7.2.6 Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.
- 7.2.7 The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	3 - 10

### 7.3 Derecognition

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

## 8 INVESTMENT PROPERTY

### 8.1 Initial Recognition

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

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

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

- 8.1.3 Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.
- 8.1.4 Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:
- 8.1.4.1 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;
- 8.1.4.2 Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- 8.1.4.3 A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and
- 8.1.4.4 A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.
- 8.1.5 The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:
- 8.1.5.1 Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- 8.1.5.2 Property being constructed or developed on behalf of third parties;
- 8.1.5.3 Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- 8.1.5.4 Property that is being constructed or developed for future use as investment property;
- 8.1.5.5 Property that is leased to another entity under a finance lease;
- 8.1.5.6 Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- 8.1.5.7 Property held for strategic purposes or service delivery.

## **8.2 Subsequent Measurement - Fair Value Model**

- 8.2.1 Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

## **8.3 Derecognition**

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

## **9 Heritage Assets**

- 9.1 Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment. Subsequent to measurement, heritage assets are carried at cost less impairment losses.

## **10 IMPAIRMENT OF ASSETS**

### **10.1 Impairment of Cash Generating Assets**

- 10.1.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.
- 10.1.2 If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.
- 10.1.3 The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.
- 10.1.4 The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.
- 10.1.5 If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.
- 10.1.6 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.
- 10.1.7 An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- 10.1.8 An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- 10.1.8.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- 10.1.9 A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.
- 10.1.10 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- 10.1.11 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

### **10.2 Impairment of Non-Cash Generating Assets**

- 10.2.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.
- 10.2.2 If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.
- 10.2.3 The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.
- 10.2.4 If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

- 10.2.5 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.
- 10.2.6 An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- 10.2.6.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.
- 10.2.7 A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.
- 10.2.8 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.
- 10.2.9 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

## 11 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

### 11.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### 11.2 Subsequent Measurement

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

#### 11.2.1 Receivables

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

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



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

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

#### 11.2.2 Payables and Annuity Loans

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

#### 11.2.3 Cash and Cash Equivalents

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

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

### 11.3 De-recognition of Financial Instruments

#### 11.3.1 Financial Assets

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

\* the rights to receive cash flows from the asset have expired; or

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

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

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

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

### 11.3.2 Financial Liabilities

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

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

### 11.4 Offsetting of Financial Instruments

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

## 12 INVENTORIES

12.1 Inventories include consumables stores, maintenance materials, spare parts for plant, equipment and land or property held for sale. Cost is determined by the weighted average method and comprises all costs of purchases, cost of development, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost or net realisable value.

12.2 When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when goods are distributed or related service is rendered.

12.3 The amount of any write-down of inventories and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any write-down of inventories, arising from an increase in the net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

12.4 Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

## **13 REVENUE RECOGNITION**

### **13.1 Revenue from Exchange Transactions**

- 13.1.1 Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.
- 13.1.2 Service charges relating to electricity and water are based on consumption and a basic charge as per Council Resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.
- 13.1.3 Revenue from the sale of pre-paid electricity and pre-paid water sales are recognised at point of sale and not when prepaid electricity is consumed.
- 13.1.4 Service charges from sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property as set out in the approved Tariff List.
- 13.1.5 Interest and rentals are recognised on a time proportion basis.
- 13.1.6 Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.
- 13.1.7 Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.
- 13.1.8 Revenue from the sale of goods is recognised when the risk is passed to the consumer.
- 13.1.9 Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

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

- 13.2.1 Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.
- 13.2.2 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when fines are processed on the system. A debtor is created for all unpaid fines on year-end and recoverability test is performed to calculated any impairments against the debtor.
- 13.2.3 Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.
- 13.2.4 Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.
- 13.2.5 Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13.2.6 All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of 36 months. This assessment is performed annually at 30 June. The Municipality keep record of these unclaimed deposits for three years in the event that a party should submit a claim.

## 14 CONDITIONAL GRANTS AND RECEIPTS

### 14.1 Unspent Conditional Government Grants and Receipts

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

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

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

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

### 14.2 Unpaid Conditional Government Grants and Receipts

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

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

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

### 14.3 Unspent Public Contributions

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

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

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

## 15 PROVISIONS

- 15.1 Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).
- 15.2 The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.
- 15.3 Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring the provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.
- 15.4 A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
- 15.4.1 The Municipality has a detailed formal plan for the restructuring identifying at least:
- \* the business or part of business concerned;
  - \* the principal locations affected;
  - \* the location, function and approximate number of employees who will be compensated for termination of services
  
  - \* the expenditures that will be undertaken; and
  - \* when the plan will be implemented.
- 15.4.2 The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.
- 15.5 The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.
- 15.6 If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be derecognised.

## 16 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during the period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the actives to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

## **17 ACCUMULATED SURPLUS**

The accumulated surplus of the municipality is affected by only the nett profit or loss during the financial year and is maintained in terms of the relevant accounting policies and GRAP 3.

## **18 UNAUTHORISED EXPENDITURE**

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

## **19 IRREGULAR EXPENDITURE**

- 19.1** Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. 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.

## **20 FRUITLESS AND WASTEFUL EXPENDITURE**

- 20.1** Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **21 COMPARATIVE INFORMATION**

### **21.1 Budget comparatives:**

- 21.1.1** The presentation of budget information was prepared in accordance with the requirements of GRAP 24 as well as the formats contained in the Municipal Budget Reporting Regulations. The presentation of budget information is in line with the basis of accounting per the GRAP Framework.

### **21.2 Prior year comparatives:**

- 21.2.1** When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

## **22 LEASES**

### **22.1 The Municipality as Lessee**

- 22.1.1 Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.
- 22.1.2 Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.
- 22.1.3 Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative on the time pattern of the lessee's benefit from the use of the leased asset.

### **22.2 The Municipality as Lessor**

- 22.2.1 Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rebate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.
- 22.2.2 Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

## **23 EMPLOYEE BENEFITS**

### **23.1 Post Retirement Medical Obligations**

- 23.1.1 The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. After retirement Council pays 70% as contribution and the remaining 30% are paid by the retired members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 - Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

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

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

## **23.2 Long Service Awards**

23.2.1 Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

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

## **23.3 Provision for Staff Leave**

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

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

23.3.3 Accumulated leave is vesting.

## **23.4 Performance Bonuses**

23.4.1 A provision, in respect of a liability relating to the anticipated costs of performance bonuses payable to Section 56 & 57 employees, is recognised as it accrue to Section 56 & 57 employees.

## **23.5 Pension and retirement fund obligations**

23.5.1 The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-



## **24 INTERNAL FINANCING OF PROPERTY, PLANT AND EQUIPMENT**

- 24.1** In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are provided from cash surpluses generated and transferred to the Capital Replacement Reserve (CRR).

## **25 CONTINGENT LIABILITIES**

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

Management judgement is required when recognising and measuring contingent liabilities.

## **26 CONTINGENT ASSET**

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

Management judgement is required when recognising and measuring contingent assets.

## **27 COMMITMENTS**

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

## **28 RELATED PARTIES**

- 28.1** 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 of the municipality are those persons, directly and indirectly, having authority and responsibility for planning, directing and controlling the activities of the Municipality. Key management is defined as the Municipal Manager, Chief Financial Officer and all other Section 56 & 57 managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

- 28.2** Any services rendered to and payments made to key management personnel and councillors other than their monthly remuneration will be disclosed appropriate.

## 29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### 29.1 Post retirement medical obligations and Long service awards

- 29.1.1 The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in the note 11 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

### 29.2 Impairment of Receivables

- 29.2.1 The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due. This was performed per identifiable are categories across all debtors.

### 29.3 Property, Plant and Equipment

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

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

\* The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

\* Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

\* The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

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

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

\* cost of item with a similar nature currently in the Municipality's asset register;

\* cost of items with similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other Municipality's asset register is considered to be accurate;

\* cost as supplied by suppliers.

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

### 29.4 Investment Property

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

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

\* The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.

\* The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

## 29.5 Provision and Contingent Liabilities

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

## 29.6 Revenue Recognition

29.6.1 Accounting Policy 13.1 on Revenue from Exchange Transactions and Accounting Policy 13.2 on Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

29.6.2 In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

29.6.3 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when fines are processed on the system. A debtor is created for all unpaid fines on year-end and recoverability test is performed to calculated any impairments against the debtor.

29.6.4 The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

## 29.7 Provision for Landfill Sites

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

29.7.2 Management referred to the following when making assumptions regarding provisions:

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

\* Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

## **29.8 Provision for Staff Leave**

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

## **29.9 Provision for Performance Bonuses**

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

## **29.10 Componentisation of Infrastructure Assets**

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

## **30 DISTRIBUTION LOSSES**

30.1 Electricity distribution losses comprises of technical and non-technical losses. Technical losses in electricity are experience due to natural resistivity of the conductors and the energisation of transformers. Non-technical losses are losses due to theft, faulty meters and billing errors. Calculation of the technical losses of the municipal network which consists of urban and rural networks, are calculated applying the methodology in the NRS 080:2004. Non-technical losses is calculated by subtracting technical losses from the total losses.

30.2 Water distribution losses comprises of technical and non-technical losses. Technical losses are experience during the purification process of the water. Non-technical losses are losses due to theft, faulty meters, pipe bursts and billing errors. Non-technical losses is calculated by subtracting technical losses from the total losses.

## **31 VALUE ADDED TAX**

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

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

**1.1 PROPERTY, PLANT AND EQUIPMENT**

<b>30 June 2014</b>	<b>Land and Buildings</b>	<b>Infrastructure</b>	<b>Community</b>	<b>Other</b>	<b>Total</b>
<b>Reconciliation of Carrying Value</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Carrying Values at 1 July 2013</b>	<b>158 753 427</b>	<b>1 313 419 603</b>	<b>62 435 801</b>	<b>42 147 598</b>	<b>1 576 756 430</b>
Cost	187 093 393	1 606 524 790	77 440 884	76 150 295	1 947 209 361
Accumulated Depreciation	(28 339 966)	(293 105 187)	(15 005 082)	(34 002 696)	(370 452 931)
Acquisitions	1 195 606	4 036 470	750 535	4 597 411	10 580 021
Capital Under Construction	1 940 490	72 819 249	9 627 321	-	84 387 059
Depreciation	(5 211 688)	(60 252 156)	(3 222 773)	(13 139 229)	(81 825 847)
Carrying Values of disposals	-	(13 173)	-	(293 451)	(306 624)
Cost	-	(19 760)	-	(932 323)	(952 082)
Accumulated Depreciation	-	6 587	-	638 872	645 459
Impairment loss	(1 088 338)	(9 063 873)	(1 523 090)	(33 784)	(11 709 085)
<b>Carrying Values at 30 June 2014</b>	<b>155 589 496</b>	<b>1 320 946 120</b>	<b>68 067 794</b>	<b>33 278 545</b>	<b>1 577 881 955</b>
Cost	190 229 488	1 683 360 750	87 818 739	79 815 382	2 041 224 359
Accumulated Depreciation	(34 639 992)	(362 414 629)	(19 750 946)	(46 536 838)	(463 342 405)

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

**1.1 PROPERTY, PLANT AND EQUIPMENT**

<b>30 June 2013</b>	<b>Land and Buildings R</b>	<b>Infrastructure R</b>	<b>Community</b>	<b>Other R</b>	<b>Total R</b>
<b>Reconciliation of Carrying Value</b>					
<b>Carrying Values at 1 July 2012</b>	<b>160 892 986</b>	<b>1 328 688 047</b>	<b>54 059 606</b>	<b>44 989 516</b>	<b>1 588 630 155</b>
Cost	181 245 502	1 561 869 685	65 519 341	64 786 926	1 873 421 453
Balance Previously Reported	173 728 007	1 594 056 514	58 251 094	64 786 926	1 890 822 541
Correction of Error - refer to note 36.10	7 517 495	(32 186 829)	7 268 247	-	(17 401 088)
Accumulated Depreciation	(20 352 515)	(233 181 638)	(11 459 735)	(19 797 410)	(284 791 299)
Balance Previously Reported	(17 595 010)	(244 505 307)	(9 410 363)	(19 797 410)	(291 308 089)
Correction of Error - refer to note 36.10	(2 757 505)	11 323 669	(2 049 372)	-	6 516 791
Acquisitions	5 381 265	19 152 920	7 483 316	7 648 444	39 665 943
Balance Previously Reported	2 577 774	25 518 658	7 480 694	7 468 528	43 045 654
Correction of Error - refer to note 36.10	-	10 135	-	-	10 135
Transferred from/to Under Construction	2 803 490	(6 373 251)	-	179 915	(3 389 846)
Transferred between Additions	-	(2 622)	2 622	-	0
Capital Under Construction	466 626	25 502 186	4 438 227	4 177 059	34 584 098
Balance Previously Reported	3 270 214	19 013 560	4 688 889	4 177 059	31 149 722
Correction of Error - refer to note 36.10	(98)	115 375	(70 746)	-	44 531
Transferred from/to Additions	(2 803 490)	6 373 251	(179 915)	-	3 389 846
Depreciation	(5 183 960)	(59 632 217)	(3 080 684)	(14 484 380)	(82 381 241)
Balance Previously Reported	(4 509 888)	(62 638 679)	(2 700 523)	(14 488 696)	(84 337 785)
Correction of Error - refer to note 36.10	(674 072)	3 006 462	(380 162)	4 316	1 956 544

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

**1.1 PROPERTY, PLANT AND EQUIPMENT**

Carrying Values of disposals	-	-	-	(183 041)	(183 041)
Cost	-	-	-	(462 134)	(462 134)
Accumulated Depreciation	-	-	-	279 093	279 093
Impairment loss	(2 803 490)	(291 332)	(464 663)	-	(3 559 485)
Balance Previously Reported	-	(296 558)	(473 001)	-	(769 560)
Correction of Error - refer to note 36.10	(2 803 490)	5 226	8 338	-	(2 789 926)
<b>Carrying Values at 30 June 2013</b>	<b>158 753 427</b>	<b>1 313 419 603</b>	<b>62 435 801</b>	<b>42 147 598</b>	<b>1 576 756 430</b>
Cost	187 093 393	1 606 524 790	77 440 884	76 150 295	1 947 209 361
Accumulated Depreciation	(28 339 966)	(293 105 187)	(15 005 082)	(34 002 696)	(370 452 931)

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the Municipality.

Capital Under Construction of R 39 012 060 (2013: R 11 523 077) is included in the opening balance of Property, Plant and Equipment. These capital will be included as additions in the asset register when the projects are completed.

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

Impairment Losses on Property, Plant and Equipment to the amount of R 11 709 085 (2013: R 3 559 485) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in note 27

The amount disclosed for impairment losses on Property, Plant and Equipment is in respect of impairment losses caused by variance accidents and damages that occurred during the year. Where accidents were applicable cost was recovered either by means of insurance claims or from the accused.

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>
<b>1.2</b>	<b>INTANGIBLE ASSETS</b>		
	<b>Carrying value as at 1 July</b>	<b>1 255 222</b>	<b>1 700 451</b>
	Cost	5 710 377	5 250 158
	Accumulated amortisation and impairment losses	(4 455 155)	(3 549 708)
	Acquisitions	30 000	460 218
	Amortisation for the year	(978 272)	(905 447)
	<b>Carrying value as at 30 June</b>	<b>306 949</b>	<b>1 255 222</b>
	Cost	5 740 377	5 710 377
	Accumulated amortisation and impairment losses	(5 433 428)	(4 455 155)
	The amortisation expense has been included in the line item Depreciation and Amortisation in the statement of Financial Performance 27		
	All of the Municipality's Intangible Assets are held under freehold interest and no Intangible Assets had been pledged as security for any liabilities of the Municipality.		
	No restrictions apply to any of the Intangible Assets of the Municipality.		
	The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.		
	No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting		
<b>1.3</b>	<b>INVESTMENT PROPERTY AT FAIR VALUE</b>		
	<b>Reconciliation of fair value</b>		
	<b>Balance as at 1 July</b>	<b>197 429 696</b>	<b>186 783 062</b>
	Balance Previously Reported		221 585 950
	Correction of Error - refer to note 36.11		(34 802 888)
	Acquisitions	-	-
	Balance Previously Reported		200 000
	Correction of Error - refer to note 36.11		(200 000)
	Fair value adjustment	12 043 212	10 646 634
	Balance Previously Reported		1 326 000
	Correction of Error - refer to note 36.11		9 320 634
	<b>Carrying value as at 30 June</b>	<b>209 472 908</b>	<b>197 429 696</b>



## //KHARA HAIS MUNICIPALITY

### Notes to the Financial Statements for the Year Ended 30 June 2014

Note	Description	2014 R	2013 R
	<p>All of the Municipality's Investment Property is held under freehold interest and no Investment Property had been pledged as security for any liabilities of the municipality.</p> <p>The effective date of the revaluations was 30 June 2014. Revaluations were performed by independent valuers, DDP Valuers, which are not connected to the entity and have recent experience in location and category of the investment property being valued.</p> <p>Properties were valued on the comparative sales method of valuation, based on the active market values in the area.</p> <p>The Fair Value of Investment Properties was determined by a qualified valuer based on current market prices. The current demand in property in Upington resulted in an increase in property prices.</p> <p>There are no contractual obligations on Investment Property.</p> <p>No impairment losses have been recognised on Investment Property of the Municipality at the</p>		

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

**1.4 HERITAGE ASSETS**

<b>30 June 2014</b>	<b>Cultural Land and Buildings R</b>	<b>Historical Sites R</b>	<b>National Monuments R</b>	<b>Total R</b>
<b>Reconciliation of Carrying Value</b>				
<b>Carrying Values at 1 July 2013</b>	<b>4 273 000</b>	<b>2</b>	<b>3</b>	<b>4 273 005</b>
Cost	4 273 000	2	3	4 273 005
Accumulated Depreciation	-	-	-	-
Acquisitions	-	-	-	-
Depreciation	-	-	-	-
<b>Carrying Values at 30 June 2014</b>	<b>4 273 000</b>	<b>2</b>	<b>3</b>	<b>4 273 005</b>
Cost	4 273 000	2	3	4 273 005
Accumulated Depreciation	-	-	-	-

<b>30 June 2013</b>	<b>Cultural Land and Buildings R</b>	<b>Historical Sites R</b>	<b>National Monuments R</b>	<b>Total R</b>
<b>Reconciliation of Carrying Value</b>				
<b>Carrying Values at 1 July 2012</b>	<b>4 273 000</b>	<b>2</b>	<b>3</b>	<b>4 273 005</b>
Cost	4 273 000	2	3	4 273 005
Accumulated Depreciation	-	-	-	-
Acquisitions	-	-	-	-
Depreciation	-	-	-	-
<b>Carrying Values at 30 June 2013</b>	<b>4 273 000</b>	<b>2</b>	<b>3</b>	<b>4 273 005</b>
Cost	4 273 000	2	3	4 273 005
Accumulated Depreciation	-	-	-	-

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

The municipality applied directive 4 to value their heritage assets.

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

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

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

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

Note	Description	2014 R	2013 R
4	<b>TRADE RECEIVABLES</b>		
	<u>As at 30 June 2014</u>	<u>Gross Balances</u>	<u>Provision for Bad Debts</u>
	Trade receivables from Exchange Transactions	54 600 056	(8 473 327)
	Trade receivables from Non-Exchange Transactions	5 637 685	(1 369 243)
	<b>Total Trade Receivables</b>	<b><u>60 237 741</u></b>	<b><u>(9 842 570)</u></b>
		<b><u>50 395 171</u></b>	

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>
	Trade receivables from Exchange Transactions	<u>Gross Balances</u>	<u>Provision for Bad Debts</u>
		<u>R</u>	<u>R</u>
			<u>Net Balance</u>
			<u>R</u>
	<b>Consumer Debtors per Suburb</b>		
	Akademia	176 050	(11 817)
	Dakotaweg	1 139 956	(220 383)
	Blydeveld	360 157	(22 766)
	Commonage	2 621 378	(228 488)
	Dakotaweg	51 844	(7 729)
	Die Rand	2 007 134	(144 804)
	Florapark	346 396	(23 898)
	Gordonia Farming Areas	138 616	(36 057)
	Industrial Areas	2 520 288	(152 090)
	Kalksloot	242 879	(62 619)
	Kameelmond / Lemoendraai	200 706	(28 685)
	Karos	262 765	(180 113)
	Karos Farming Areas	80 326	(41 492)
	Keidebees	785 691	(52 247)
	Kenhardt Farming Areas	468 444	(49 264)
	Lambrechtsdrift	168 311	(136 831)
	Leerkrans	165 031	(79 709)
	Leseding	4 729	(2 315)
	Louisvale Dorp	809 630	(78 651)
	Louisvaleweg	1 799 548	(598 668)
	Middelpos	866 001	(60 890)
	Morning Glory	995 881	(206 958)
	Ntsekelelo	13	-
	Olyvenhoutsdrift Farming Areas	511 969	(47 392)
	Oosterville	867 856	(52 126)
	Upington	2 670 810	(1 544 797)
	Pabellelo	4 587 788	(1 738 046)
	Progress	2 303 478	(519 475)
	Raaswater	1 520 719	(1 224 876)
	Riverside	1 576 747	(107 043)
	Rosedale	2 013 411	(444 705)
	Sesbrugge / Klippunt	83 571	(5 577)
	Town Centre / Business Area	4 650 826	(314 240)
	Upington Farming Areas	184 761	(13 339)
	Vaalkoppies Farming Areas	54 707	(35 234)
	Sub-Total	<u>37 238 418</u>	<u>(8 473 327)</u>
	Provision for income not yet billed	15 351 095	-
	Sub-Total	<u>52 589 513</u>	<u>(8 473 327)</u>
	Plus: Amounts received in advance	2 010 543	-
	<b>Total</b>	<b><u>54 600 056</u></b>	<b><u>(8 473 327)</u></b>
			<b><u>46 126 729</u></b>

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

Note	Description	2014 R	2013 R
	Trade receivables from Non-Exchange Transactions		
	<b>As at 30 June 2014</b>	<u>Gross Balances</u> R	<u>Provision for Bad Debts</u> R
			<u>Net Balance</u> R
	<b>Consumer Debtors per group</b>		
	Akademia	451	(30)
	Dakotaweg	127 549	(24 659)
	Blydeveld	170 423	(10 773)
	Commonage	94 595	(8 245)
	Dakotaweg	393	(59)
	Die Rand	480 221	(34 645)
	Florapark	80 863	(5 579)
	Gordonia Farming Areas	479 695	(124 778)
	Industrial Areas	326 324	(19 692)
	Kalksloot	715	(184)
	Kameelmond / Lemoendraai	63 450	(9 068)
	Karos	(2 420)	-
	Karos Farming Areas	222 676	(115 021)
	Keidebees	358 927	(23 868)
	Kenhardt Farming Areas	144 247	(15 170)
	Lambrechtsdrift	2 155	(1 752)
	Leerkrans	7 379	(3 564)
	Leseding	-	-
	Louisvale Dorp	7 062	(686)
	Louisvaleweg	17 498	(5 821)
	Middelpos	278 430	(19 577)
	Morning Glory	76 362	(15 869)
	Ntsekelelo	60	-
	Olyvenhoutsdrift Farming Areas	89 868	(8 319)
	Oosterville	253 865	(15 248)
	Upington	243 630	(140 916)
	Paballelo	111 484	(42 235)
	Progress	95 509	(21 539)
	Raaswater	(2 670)	-
	Riverside	193 429	(13 132)
	Rosedale	52 096	(11 507)
	Sesbrugge / Klippunt	688	(46)
	Town Centre / Business Area	839 511	(56 723)
	Upington Farming Areas	41 406	(2 989)
	Vaalkoppies Farming Areas	153 909	(99 124)
	Sub-Total	<u>5 009 779</u>	<u>(850 818)</u>
	Plus: Amounts received in advance	-	-
	Traffic Fines	627 906	(518 426)
	<b>Total</b>	<b><u>5 637 685</u></b>	<b><u>(1 369 243)</u></b>
			<b><u>4 268 442</u></b>

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

Note	Description	2014 R	2013 R
		<b>Gross</b>	<b>Provision for Bad</b>
	<b>As at 30 June 2013</b>	<b>Balances</b>	<b>Debts</b>
			<b>Net Balance</b>
	Trade receivables from Exchange Transactions	50 938 133	(9 218 913)
	Trade receivables from Non-Exchange Transactions	5 229 613	(1 155 646)
	<b>Total Trade Receivables</b>	<b>56 167 746</b>	<b>(10 374 559)</b>
			<b>45 793 187</b>
		<b>Gross</b>	<b>Provision for Bad</b>
	Trade receivables from Exchange Transactions	<b>Balances</b>	<b>Debts</b>
		<b>R</b>	<b>R</b>
			<b>Net Balance</b>
			<b>R</b>
	<b>Consumer Debtors per group</b>		
	Akademia	201 752	(13 669)
	Dakotaweg	1 116 478	(249 174)
	Blydeveld	361 894	(25 668)
	Commonage	2 308 130	(195 540)
	Dakotaweg	23 280	(4 015)
	Die Rand	1 761 009	(171 866)
	Florapark	331 469	(24 973)
	Gordonia Farming Areas	106 870	(25 372)
	Industrial Areas	4 331 021	(459 042)
	Kalksloot	235 495	(76 178)
	Kameelmond / Lemoendraai	253 934	(59 501)
	Karos	145 701	(96 116)
	Karos Farming Areas	98 667	(54 169)
	Keidebees	716 588	(53 500)
	Kenhardt Farming Areas	641 497	(82 774)
	Lambrechtsdrift	75 992	(44 219)
	Leerkrans	90 749	(36 173)
	Leseding	3 459	(1 453)
	Louisvale Dorp	1 103 673	(166 878)
	Louisvaleweg	2 254 078	(1 161 262)
	Middelpos	886 320	(72 568)
	Morning Glory	645 439	(110 523)
	Ntsekelelo	9	-
	Olyvenhoutsdrift Farming Areas	542 814	(64 037)
	Oosterville	831 581	(57 513)
	Upington	2 398 757	(2 015 889)
	Paballelo	3 393 445	(1 310 984)
	Balance Previously Reported	3 411 765	(1 310 984)
	Correction of Error - refer to note 36.13	(18 321)	-
	Progress	1 888 356	(450 564)
	Raaswater	812 889	(569 933)
	Riverside	3 278 819	(829 471)
	Rosedale	1 226 845	(208 981)
	Sesbrugge / Klippunt	82 488	(5 325)
	Town Centre / Business Area	5 529 291	(475 595)

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>	
	Upington Farming Areas	169 994	(12 688)	157 306
	Vaalkoppies Farming Areas	49 664	(33 300)	16 363
	<b>Sub-Total</b>	<b>37 898 449</b>	<b>(9 218 913)</b>	<b>28 679 536</b>
	Provision for income not yet billed	12 033 441	-	12 033 441
	Balance Previously Reported	14 158 368	-	14 158 368
	Correction of Error - refer to note 36.13	(2 124 928)	-	(2 124 928)
		49 931 889	(9 218 913)	40 712 977
	Plus: Amounts received in advance	1 006 244	-	1 006 244
	Balance Previously Reported	987 923	-	987 923
	Correction of Error - refer to note 36.13	18 321	-	18 321
	<b>Total</b>	<b>50 938 133</b>	<b>(9 218 913)</b>	<b>41 719 220</b>
	Trade receivables from Non-Exchange Transactions		Provision for Bad Debts	Net Balance
	<b>As at 30 June 2013</b>	<b>Gross Balances</b>	<b>R</b>	<b>R</b>
	<b>Consumer Debtors per group</b>			
	Akademia	(286)	(13)	(299)
	Dakotaweg	110 393	(26 162)	84 231
	Blydeveld	171 576	(13 462)	158 114
	Commonage	130 199	(11 605)	118 594
	Dakotaweg	1 528	(361)	1 167
	Die Rand	396 728	(49 022)	347 706
	Florapark	20 823	(7 657)	13 166
	Gordonia Farming Areas	370 850	(90 228)	280 622
	Industrial Areas	223 365	(30 892)	192 473
	Kalksloot	(2 967)	(1 220)	(4 187)
	Kameelmond / Lemoendraai	101 130	(24 100)	77 029
	Karos	1 523	(2 551)	(1 027)
	Karos Farming Areas	215 915	(121 728)	94 188
	Keidebees	373 349	(30 109)	343 240
	Kenhardt Farming Areas	62 102	(14 630)	47 473
	Lambrechtsdrift	1 018	(633)	385
	Leerkrans	3 196	(1 682)	1 514
	Leseding	-	-	-
	Louisvale Dorp	(13 347)	(4 528)	(17 874)
	Louisvaleweg	125 129	(66 024)	59 105
	Middelpos	280 286	(28 520)	251 767
	Morning Glory	53 245	(10 496)	42 748
	Ntsekelelo	33	-	33
	Olyvenhoutsdrift Farming Areas	94 129	(13 866)	80 263
	Oosterville	293 777	(23 363)	270 414
	Upington	261 594	(225 178)	36 416
	Pabellelo	80 226	(39 140)	41 085
	Progress	118 701	(31 161)	87 540
	Raaswater	7 418	(7 979)	(561)
	Riverside	407 050	(106 267)	300 783
	Rosedale	16 281	(8 287)	7 994
	Sesbrugge / Klippunt	(660)	-	(660)
	Town Centre / Business Area	643 213	(80 016)	563 197

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>
	Uppington Farming Areas	40 047	(3 568)
	Vaalkoppies Farming Areas	118 252	(81 199)
	<b>Sub-Total</b>	<b>4 705 817</b>	<b>(1 155 646)</b>
	Amounts received in advance	140 786	140 786
	Traffic Fines	383 010	383 010
	Balance Previously Reported	-	-
	Correction of Error - refer to note 36.13	383 010	383 010
	<b>Total</b>	<b>5 229 613</b>	<b>(1 155 646)</b>
<i>The Municipality did not pledge any of its Receivables as security for borrowing purposes.</i>			
<b>Ageing of Receivables from Exchange Transactions:</b>			
<b><u>Electricity: Ageing</u></b>			
	Current (0 - 30 days)	8 983 974	9 240 091
	31 - 60 Days	91 357	558 364
	61 - 90 Days	61 621	766 829
	91 - 120 Days	61 556	566 990
	+ 120 Days	1 481 928	1 900 738
		<b>10 680 436</b>	<b>13 033 012</b>
<b><u>Water: Ageing</u></b>			
	Current (0 - 30 days)	2 924 335	2 473 898
	31 - 60 Days	364 525	1 030 263
	61 - 90 Days	386 679	604 903
	91 - 120 Days	385 868	521 888
	+ 120 Days	5 501 236	4 864 876
		<b>9 562 643</b>	<b>9 495 828</b>
<b><u>Refuse: Ageing</u></b>			
	Current (0 - 30 days)	1 560 114	955 509
	31 - 60 Days	367 143	226 903
	61 - 90 Days	271 064	161 873
	91 - 120 Days	218 406	135 321
	+ 120 Days	1 747 185	1 478 818
		<b>4 163 913</b>	<b>2 958 425</b>
<b><u>Sewerage: Ageing</u></b>			
	Current (0 - 30 days)	1 654 488	1 228 730
	31 - 60 Days	305 350	229 805
	61 - 90 Days	209 958	168 375
	91 - 120 Days	161 220	112 704
	+ 120 Days	1 163 533	1 209 105
		<b>3 494 549</b>	<b>2 948 719</b>



**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>
	<b><u>VAT: Ageing</u></b>		
	Current (0 - 30 days)	2 147 037	2 025 299
	31 - 60 Days	200 831	375 683
	61 - 90 Days	183 051	300 738
	91 - 120 Days	174 203	251 046
	+ 120 Days	1 337 402	1 230 493
		<u>4 042 523</u>	<u>4 183 259</u>
	<b><u>Other: Ageing</u></b>		
	Current (0 - 30 days)	709 814	415 031
	31 - 60 Days	242 778	347 216
	61 - 90 Days	327 581	218 345
	91 - 120 Days	342 242	205 244
	+ 120 Days	3 671 940	4 093 370
		<u>5 294 355</u>	<u>5 279 206</u>
	<b><u>Total: Ageing</u></b>		
	Current (0 - 30 days)	17 979 762	16 338 559
	31 - 60 Days	1 571 984	2 768 235
	61 - 90 Days	1 439 954	2 221 062
	91 - 120 Days	1 343 495	1 793 193
	+ 120 Days	14 903 224	14 777 400
		<u>37 238 418</u>	<u>37 898 449</u>
	<i>The total ageing does not include the provision for income not yet billed of R 15 968 656 (2013: R 14 158 368) and income received in advance of R 2 010 543 (2013: R 1 006 244).</i>		
	<b>Ageing of Receivables from Non-Exchange Transactions:</b>		
	<b><u>Rates: Ageing</u></b>		
	Current (0 - 30 days)	3 096 473	2 073 040
	31 - 60 Days	104 494	195 921
	61 - 90 Days	83 884	325 244
	91 - 120 Days	68 393	108 647
	+ 120 Days	1 656 535	2 002 966
		<u>5 009 779</u>	<u>4 705 817</u>
	<i>The ageing does not include income received in advance of R 0 (2013: R 140 786).</i>		

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

Note	Description	2014 R	2013 R																		
	<p><i>Payments received are being prioritised in the following order:</i></p> <ul style="list-style-type: none"> <li>- Property Rates</li> <li>- Refuse and Sanitation</li> <li>- Water</li> <li>- Electricity</li> </ul>																				
	<p><b>Reconciliation of the Provision for Impairment</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Balance at beginning of the year</td> <td style="width: 20%; text-align: right;">10 374 559</td> <td style="width: 20%; text-align: right;">17 087 173</td> </tr> <tr> <td>Provision for bad debt</td> <td style="text-align: right;">240 590</td> <td style="text-align: right;">6 401 289</td> </tr> <tr> <td>Amounts written off as uncollectable</td> <td style="text-align: right;">(1 291 004)</td> <td style="text-align: right;">(13 113 902)</td> </tr> <tr> <td><b>Balance at the end of the year</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>9 324 145</b></td> <td style="text-align: right; border-top: 1px solid black;"><b>10 374 559</b></td> </tr> <tr> <td>Receivables from Exchange Transactions</td> <td style="text-align: right; border: 1px solid black;">8 473 327</td> <td style="text-align: right; border: 1px solid black;">9 218 913</td> </tr> <tr> <td>Receivables from Non-Exchange Transactions</td> <td style="text-align: right; border: 1px solid black;">850 818</td> <td style="text-align: right; border: 1px solid black;">1 155 646</td> </tr> </table>	Balance at beginning of the year	10 374 559	17 087 173	Provision for bad debt	240 590	6 401 289	Amounts written off as uncollectable	(1 291 004)	(13 113 902)	<b>Balance at the end of the year</b>	<b>9 324 145</b>	<b>10 374 559</b>	Receivables from Exchange Transactions	8 473 327	9 218 913	Receivables from Non-Exchange Transactions	850 818	1 155 646		
Balance at beginning of the year	10 374 559	17 087 173																			
Provision for bad debt	240 590	6 401 289																			
Amounts written off as uncollectable	(1 291 004)	(13 113 902)																			
<b>Balance at the end of the year</b>	<b>9 324 145</b>	<b>10 374 559</b>																			
Receivables from Exchange Transactions	8 473 327	9 218 913																			
Receivables from Non-Exchange Transactions	850 818	1 155 646																			
	<p><i>Receivables from Exchange Transactions are billed monthly. No interest is charged on Receivables until the next billing period in the following month. Thereafter interest is charged at a rate determined by Council on the outstanding balance.</i></p> <p><i>Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.</i></p> <p><i>The Municipality did not pledge any of its Receivables as security for borrowing purposes.</i></p> <p><i>Concentrations of credit risk with respect to trade receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.</i></p>																				
<b>5</b>	<b>OTHER RECEIVABLES</b>																				
	Sundry Debtors	707 687	577 534																		
	Balance Previously Reported		377 534																		
	Correction of Error - refer to note 36.3		200 000																		
	Monies Receivable - Various Departments	-	3 945 593																		
	Balance Previously Reported		3 969 393																		
	Correction of Error - refer to note 36.3		(23 800)																		
	<b>Total Other Receivables</b>	<b>707 687</b>	<b>4 523 127</b>																		
	<i>Due to the short term nature of these items, the carrying value approximated the fair value</i>																				

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>
<b>10</b>	<b>EMPLOYEE BENEFITS</b>		
	Post Retirement Medical Benefits	69 371 999	67 943 204
	Long-Service Awards	11 454 999	11 064 038
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>80 826 998</b>	<b>79 007 241</b>
<b>10.1</b>	<b>POST RETIREMENT MEDICAL BENEFITS</b>	<b>2014</b>	<b>2013</b>
	Balance 1 July	69 965 768	62 576 150
	Contribution for the year	3 756 900	3 358 826
	Interest Cost	6 059 500	4 881 855
	Expenditure for the year	(2 040 754)	(1 874 885)
	Actuarial (Gain) / Loss	(5 837 414)	1 023 822
		71 904 000	69 965 768
	Less: Transfer of Current	(2 532 000)	(2 022 564)
	<b>Net Post-Employment Health Care Benefit Liability</b>	<b>69 372 000</b>	<b>67 943 204</b>
<b>10.2</b>	<b>LONG SERVICE AWARDS</b>		
	Balance 1 July	12 195 213	10 881 915
	Contribution for the year	1 156 901	1 336 912
	Interest Cost	794 436	668 102
	Expenditure for the year	(199 662)	(934 205)
	Actuarial (Gain) / Loss	(868 888)	94 490
	Past Service Cost	-	147 999
		13 078 000	12 195 213
	Less: Transfer of Current	(1 623 000)	(1 131 175)
	<b>Net Long Service Awards Liability</b>	<b>11 455 000</b>	<b>11 064 038</b>
	<b>TOTAL NON-CURRENT EMPLOYEE BENEFITS</b>		
	Balance 1 July	82 160 981	73 458 065
	Contribution for the year	4 913 801	4 695 738
	Interest Cost	6 853 936	5 549 957
	Expenditure for the year	(2 240 416)	(2 809 090)
	Actuarial (Gain) / Loss	(6 706 302)	1 118 312
	Past Service Cost	-	147 999
		84 982 000	82 160 981
	Less: Transfer of Current	(4 155 000)	(3 153 739)
	<b>Net Post-Employment Health Care Benefit Liability</b>	<b>80 827 000</b>	<b>79 007 242</b>

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

Note	Description	2014 R	2013 R
	<b>Post Retirement Benefits</b>		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	- In-service (employees) members	415	435
	- In-service (employee) non-members	396	419
	- Continuation members (e.g. Retirees, widows, orphans)	70	65
	<b>Total</b>	<u><u>881</u></u>	<u><u>919</u></u>
	The liability in respect of past service has been estimated to be as follows:		
	- In-service members	32 063 000	30 070 952
	- Continuation members	29 404 000	30 382 641
	- In-Service non-members	10 437 000	9 512 175
		<u><u>71 904 000</u></u>	<u><u>69 965 768</u></u>
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		<b>2012 R</b>	<b>2011 R</b>
		<b>2010 R</b>	
	Members	62 576 150	54 950 194
	Total Liability	<u><u>62 576 150</u></u>	<u><u>54 950 194</u></u>
			<b>2014</b>
			<b>2013</b>
	Experience adjustments were calculated as follows:		
	Liabilities: (Gain) / Loss		(5 837 414)
	Assets: Gain / (Loss)		-
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		<b>2012</b>	<b>2011</b>
		<b>2010</b>	
	Liabilities: (Gain) / Loss	1 670 123	6 765 002
	Assets: Gain / (Loss)	-	(6 030 835)
	The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.		
	As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.		
	Therefore, although the Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.		
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

Note	Description	2014 R	2013 R
	- Bonitas - Hosmed - LA Health - Keyhealth - Samwumed - Fed Health		
	Key actuarial assumptions used:		
	The principal assumptions used for the purposes of the actuarial valuations were as follows:		
	<b>Rate of interest</b>		
	Discount rate	8.94%	8.78%
	CPI (Consumer Price Inflation)	7.05%	6.19%
	Health Care Cost Inflation Rate	8.05%	7.69%
	Net Effective Discount Rate	0.82%	1.01%
	<b>Mortality rates</b>		
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries		
	<b>Normal retirement age</b>		
	It has been assumed that in-service members will retire at the age of 65, which then implicitly allows for expected rates of early and ill-health retirement.		
	<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
	Present value of fund obligations	71 904 000	69 965 768
	<b>Net liability/(asset)</b>	<b>71 904 000</b>	<b>69 965 768</b>

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>
	The Municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155(a)		
	Balance 1 July	69 965 768	62 576 150
	Contribution for the year	3 756 900	3 358 826
	Interest Cost	6 059 500	4 881 855
	Expenditure for the year	(2 040 754)	(1 874 885)
	Actuarial (Gain) / Loss	(5 837 414)	1 023 822
		<u>71 904 000</u>	<u>69 965 768</u>
	Less: Transfer of Current	(2 532 000)	(2 022 564)
	<b>Net Post-Employment Health Care Benefit Liability</b>	<b><u>69 372 000</u></b>	<b><u>67 943 204</u></b>
	<b>Sensitivity Analysis on the Accrued Liability</b>	<b>In-Service members liability R</b>	<b>Continuation member liability R</b>
	<b>Assumption</b>		<b>Total liability R</b>
	Central Assumptions	42 500 000.	29 404 000.
	The effect of movements in the assumptions are as follows:		
	<b>Assumptions</b>	<b>In-Service members liability R</b>	<b>Continuation member liability R</b>
	<b>Change</b>	<b>Total liability R</b>	<b>Change %</b>
	Health care inflation 1%	43 390 000	30 065 000
	Health care inflation -1%	41 033 000	28 526 000
	Post-Retirement mortality -1 year	43 420 000	30 247 000
	Average retirement age -1 year	47 808 000	29 404 000
	Withdrawal Rate -50%	45 443 000	29 404 000
			74 847 000
	<b>Long Service Bonuses</b>	<b>Employees</b>	<b>Employees</b>
	The Long Service Bonus plans are defined benefit plans		
	As at year end, the following number of employees were eligible for Long Service Bonuses	<u>818</u>	<u>852</u>
	<b>Rate of interest</b>		
	Discount rate	7.96%	6.97%
	CPI (Consumer Price Inflation)	6.33%	5.63%
	General Salary Inflation (Long-Term)	7.33%	6.63%
	Nett Effective Discount Rate applied to salary-related Long Service Bonuses	0.59%	0.32%
	<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
	Present value of fund obligations	<u>13 078 000</u>	<u>12 195 213</u>
	<b>Net liability</b>	<b><u>13 078 000</u></b>	<b><u>12 195 213</u></b>

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		<b>2012 R</b>	<b>2011 R</b>
		<b>2010 R</b>	
	Members	10 881 915	9 196 531
	Total Liability	<u>10 881 915</u>	<u>9 196 531</u>
			<b>2014</b>
	Experience adjustments were calculated as follows:		<b>2013</b>
	Liabilities: (Gain) / Loss		(868 888)
	Assets: Gain / (Loss)		94 490
			-
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		<b>2012</b>	<b>2011</b>
		<b>2010</b>	
	Liabilities: (Gain) / Loss	803 461	987 111
	Assets: Gain / (Loss)	-	272 714
			-

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>
	Balance 1 July	12 195 213	10 881 915
	Contribution for the year	1 156 901	1 336 912
	Interest Cost	794 436	668 102
	Expenditure for the year	(199 662)	(934 205)
	Actuarial Loss	(868 888)	94 490
	Past Service Cost	-	147 999
		<u>13 078 000</u>	<u>12 195 213</u>
	Less: Transfer of Current	(1 623 000)	(1 131 175)
	<b>Net Post-Employment Health Care Benefit Liability</b>	<b><u>11 455 000</u></b>	<b><u>11 064 038</u></b>
	<b>Sensitivity Analysis on the Accrued Liability</b>		
	<b>Assumptions</b>	<b>Change</b>	<b>Liability R</b>
			<b>Change R</b>
	Central assumptions	-	13 078 000
	General salary inflation	+ 1%	13 994 000
	General salary inflation	- 1%	12 255 000
	Average retirement age	-2 yrs	11 995 000
	Average retirement age	+2 yrs	14 349 000
	Withdrawal rates	-50%	15 088 000

<b>11</b>	<b>NON-CURRENT PROVISIONS</b>		
	Landfill Site - Environmental Rehabilitation	3 790 480	1 323 531
	<b>Balance at the end of the period</b>	<b><u>3 790 480</u></b>	<b><u>1 323 531</u></b>
<b>11.1</b>	<b><u>Landfill Site - Environmental rehabilitation</u></b>		
	Balance beginning of the period	1 329 759	1 323 309
	Contributions	-	6 450
	Interest Cost	6 228	-
	Change in provision of obligation	2 515 426	-
		<u>3 851 413</u>	<u>1 329 759</u>
	Less: Transfer of Current Portion	(60 933)	(6 228)
	Balance Previously Reported		(1 329 759)
	Correction of Error - refer to note 36.6		1 323 531
	<b>Balance at the end of the period</b>	<b><u>3 790 480</u></b>	<b><u>1 323 531</u></b>
	<i>//Khara Hais Municipality currently operates a landfill site. Environmental rehabilitation – environmental obligation to rehabilitate the various landfill sites upon closure.</i>		
	De Duine Landfill Site	2 165 079	1 329 759
	Leerkrans Landfill Site	552 663	
	<b>Total Landfill site rehabilitation</b>	<b><u>2 717 742</u></b>	<b><u>1 329 759</u></b>
	<i>In terms of the licencing of the landfill refuse sites, the Municipality will incur rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.</i>		



**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>
<b>12</b>	<b>CONSUMER DEPOSITS</b>		
	Electricity and Water	7 000 030	6 378 364
	Sundry	1 112 260	1 025 747
	<b>Total Consumer Deposits</b>	<b>8 112 290</b>	<b>7 404 111</b>
	<b>Guarantees Held In Lieu of Electricity and Water Deposits</b>	<b>239 124</b>	<b>245 620</b>
	<i>Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding account.</i>		
	<i>No interest is paid on Consumer Deposits held.</i>		
<b>13</b>	<b>CURRENT EMPLOYEE BENEFITS</b>		
	Current portion of Post employment benefits transferred	2 532 000	2 022 564
	Current portion of Long service awards transferred	1 623 000	1 131 175
	<b>Total current Employee Benefits</b>	<b>4 155 000</b>	<b>3 153 739</b>
<b>14</b>	<b>PROVISIONS</b>		
	Performance Bonusses	1 216 021	716 250
	Current portion of Non-Current Provisions	60 933	6 228
	Balance Previously Reported		1 329 759
	Correction of Error - refer to note 36.8		(1 323 531)
	<b>Total Current Provisions</b>	<b>1 276 954</b>	<b>722 478</b>
	<b>Performance bonuses</b>		
	Balance beginning of the period	716 250	686 799
	Performance bonuses paid	-	(398 377)
	Contributions	499 771	427 828
	<b>Balance at the end of the period</b>	<b>1 216 021</b>	<b>716 250</b>

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>
<b>15</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Trade Creditors	63 481 587	32 361 764
	Balance Previously Reported		30 259 228
	Correction of Error - refer to note 36.1		2 102 536
	Payments Received in Advance	2 010 543	1 147 030
	Balance Previously Reported		1 128 709
	Correction of Error - refer to note 36.1		18 321
	Retentions	4 603 471	1 284 590
	Unidentified Deposits	1 073 628	1 379 698
	Balance Previously Reported		2 606 745
	Correction of Error - refer to note 36.1		(1 227 047)
	Other Creditors	8 471 861	737 583
	Leave Accrual	18 179 974	15 905 816
	<b>Total Trade and Other Payables</b>	<b>97 821 064</b>	<b>52 816 481</b>
	<i>Due to the short term nature of these items, the carrying value approximated the fair value</i>		
	<i>The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has policies in place to ensure that all payables are paid within the credit timeframe.</i>		
	<b>Leave accrual</b>		
	Balance beginning of the period	15 905 816	13 748 653
	Leave payments	(1 673 300)	(682 331)
	Contributions	3 947 458	2 839 494
	<b>Balance at the end of the period</b>	<b>18 179 974</b>	<b>15 905 816</b>
	<i>Provision for leave values due to employees is calculated in terms of the standard conditions of employment. The provision for leave is calculated on the cost to council, leave payouts are done on basic salary.</i>		

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>
<b>16</b>	<b>UNSPENT CONDITIONAL GRANTS AND DONATIONS</b>		
<b>16.1</b>	<b>Conditional Grants From Other Spheres of Government</b>	<b>36 218 360</b>	<b>37 144 082</b>
	Provincial grants	1 574 001	1 221 910
	MIG	24 395 661	32 106 123
	Balance Previously Reported		32 238 943
	Correction of Error - refer to note 36.2		(132 821)
	Provincial LED Projects	101 593	101 593
	EPWP	1 443 737	3 714 455
	DWA	205 618	-
	Housing	8 497 749	-
<b>16.2</b>	<b>Conditional Public Grants and Donations</b>	<b>30 000</b>	<b>30 000</b>
	Other	30 000	30 000
	<b>Total Unspent Conditional Grants and Donations</b>	<b>36 248 360</b>	<b>37 174 082</b>
	<i>Refer to note 22 for reconciliation of grants from other spheres of government.</i>		
	<i>Due to the short term nature of these items, the carrying value approximated the fair value</i>		
<b>17</b>	<b>VAT (RECEIVABLE) / PAYABLE</b>		
	VAT (Receivable) / Payable	(492 508)	10 137 668
	Balance Previously Reported		10 139 940
	Correction of Error - refer to note 36.9		(2 271)
	<b>Total VAT Receivable / Payable</b>	<b>(492 508)</b>	<b>10 137 668</b>
	<i>VAT is payable on the cash basis. Only once payment is received from debtors is VAT paid over to SARS and claimed from SARS when actual payment of creditors are done.</i>		
<b>18</b>	<b>BANK OVERDRAFT</b>		
	<b>Bank overdraft - ABSA Bank (Account 22-4000-0051)</b>	<b>3 993 021</b>	<b>16 354 082</b>
	<b>Current Account (Primary Bank Account)</b>		
	<b>ABSA Bank Limited - Upington Branch: Account Number 22-4000-0051</b>		
	Cash Book Balance at Beginning of Year – Overdrawn	(16 354 082)	(1 367 555)
	Cash Book Balance at End of Year - Overdrawn	(3 993 021)	(16 354 082)
	Bank Statement Balance at Beginning of Year	439 696	3 820 939
	Bank Statement Balance at End of Year	5 833 194	439 696
	<i>The Municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.</i>		

**//KHARA HAIS MUNICIPALITY**

**Notes to the Financial Statements for the Year Ended 30 June 2014**

<b>Note</b>	<b>Description</b>	<b>2014 R</b>	<b>2013 R</b>
<b>35</b>	<b>RECONCILIATION BETWEEN NET SURPLUS / (DEFICIT) FOR THE YEAR AND CASH GENERATED / (ABSORBED) BY OPERATIONS</b>		
<b>35.1</b>	<b>CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
	Surplus / (Deficit) for the year	(27 026 403)	(62 764 239)
	<b>Adjustments for:</b>		
	Depreciation on Property, Plant and Equipment	81 825 847	82 381 241
	Amortisation of Intangible Assets	978 272	905 447
	Impairment written off	11 709 085	3 559 485
	Gain on disposal of property, plant and equipment	(3 076 238)	(1 119 606)
	Loss on disposal of property, plant and equipment	-	-
	Actuarial Gain	(6 706 302)	-
	Actuarial Loss	(0)	1 266 311
	Fair Value Adjustment	(12 043 212)	(10 646 634)
	Debt Impairment	-	6 401 289
	Debt Impairment - Long term receivables	-	-
	Contribution from/to Landfill Sites	2 521 654	6 451
	Contribution from/to Post Retirement Medical Benefits	9 816 400	8 240 681
	Contribution from/to Long-Service Awards	1 951 337	2 005 014
	Contribution from/to Landfill Sites - expenditure incurred	-	-
	Contribution from/to Post Retirement Medical Benefits - expenditure incurred	(2 040 754)	(1 874 885)
	Contribution from/to Long-Service Awards - expenditure incurred	(199 662)	(934 205)
	Contribution from/to Performance Bonus	499 771	427 828
	Contribution from/to Performance Bonus - expenditure incurred	-	(398 377)
	Operating Surplus/(Deficit) before changes in working capital	58 209 795	27 455 801
	Changes in working capital	33 054 667	(2 765 563)
	Increase in Trade and Other Payables	45 004 583	4 416 231
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(925 722)	5 994 738
	Increase/(Decrease) in Taxes	(10 630 177)	(1 797 061)
	(Increase)/Decrease in Inventory	276 309	160 264
	(Increase)/Decrease in Trade and other receivables	(786 544)	(9 559 227)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	116 218	(1 980 509)
	<b>Cash generated/(absorbed) by operations</b>	<b>91 264 462</b>	<b>24 690 238</b>

**//KHARA HAIS MUNICIPALITY**

**APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014**

External Loans	Loan Number	Redeemable	Loan term	Interest Rate (Fixed)	Balance at 01/07/2013	Received During the Period	Other Costs	Interest Levied	Redeemed During the Period	Payment not processed in time	Balance at 30/06/2014
					R	R			R		R
<b>Annuity Loans</b>											
Development Bank of SA	6100-4137	31/03/2015	20 years	12.00%	523 020	-	-	46 758	(293 089)	-	276 690
Development Bank of SA	6100-3172	31/12/2019	20 years	16.50%	7 430 541	-	-	1 202 361	(1 911 064)	-	6 721 838
Development Bank of SA	6100-0766	31/12/2015	7 years	12.98%	993 691	-	-	119 290	(479 725)	-	633 256
Development Bank of SA	6100-0764	31/12/2028	20 years	12.59%	33 238 834	908 621	-	4 260 069	(5 080 675)	-	33 326 848
Development Bank of SA	6100-0765	31/12/2023	15 years	6.75%	25 575 218	4 387 787	11 130	1 913 560	(4 035 498)	-	27 852 196
ABSA Bank	40-6309-6496	31/08/2015	10 years	10.04%	960 323	-	-	82 469	(478 934)	-	563 859
ABSA Bank	40-6353-0507	02/11/2015	10 years	10.07%	716 060	-	-	60 036	(319 718)	-	456 379
ABSA Bank	40-6396-1623	31/12/2015	10 years	10.12%	1 744 398	-	-	161 038	(800 664)	-	1 104 772
ABSA Bank	40-6447-8475	29/02/2016	10 years	10.17%	1 923 585	-	-	173 565	(802 957)	-	1 294 193
ABSA Bank	30-3213-8054	30-09-2015	5 years	9.60%	1 415 979	-	2 840	106 477	(786 164)	-	739 133
ABSA Bank	30-3213-9212	30-09-2015	5 years	9.06%	10 056 763	-	(237 054)	945 177	-	(471 068)	10 293 817
Standard Bank	310-634-334	20-01-2017	5 years	10.00%	18 637 878	3 243 756	-	1 817 238	(6 906 940)	-	16 791 932
Standard Bank	310-840-708	31-12-2027	15 years	11.35%	46 266 467	-	-	5 928 492	(6 582 234)	-	45 612 725
<b>TOTAL EXTERNAL LOANS</b>					<b>149 482 757</b>	<b>8 540 164</b>	<b>(223 085)</b>	<b>16 816 531</b>	<b>(28 477 661)</b>	<b>(471 068)</b>	<b>145 667 638</b>

**//KHARA HAIS MUNICIPALITY**

**APPENDIX B: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2014**

	Restated Opening Balance	Cost / Revaluation Under			Closing Balance	Restated Opening Balance	Accumulated Depreciation				Carrying Value
		Additons	Construction	Disposals			Additons	Disposals	Impairment	Closing Balance	
<b><u>Land and Buildings</u></b>											
Land and Buildings	187 093 392	1 195 606	1 940 490	-	190 229 488	(28 339 966)	(5 211 688)	-	(1 088 338)	(34 639 993)	155 589 495
Balance Previously Reported	179 575 995	1 195 606	1 940 490	-	182 712 091	(22 104 898)	(5 211 688)	-	(1 088 338)	(28 404 925)	154 307 166
Correction of Error - refer to note 36.1	7 517 397	-	-	-	7 517 397	(6 235 068)	-	-	-	(6 235 068)	1 282 329
Transferred	-	-	-	-	-	-	-	-	-	-	-
	<b>187 093 392</b>	<b>1 195 606</b>	<b>1 940 490</b>	<b>-</b>	<b>190 229 488</b>	<b>(28 339 966)</b>	<b>(5 211 688)</b>	<b>-</b>	<b>(1 088 338)</b>	<b>(34 639 993)</b>	<b>155 589 495</b>
<b><u>Infrastructure</u></b>											
Roads and Storm Water	604 362 549	755 275	27 595 478	-	632 713 302	(105 109 195)	(22 391 501)	-	(143 094)	(127 643 791)	505 069 511
Balance Previously Reported	642 098 187	755 275	27 595 478	-	670 448 940	(119 330 605)	(22 391 501)	-	(143 094)	(141 865 201)	528 583 739
Correction of Error - refer to note 36.1	(37 735 638)	-	-	-	(37 735 638)	14 221 410	-	-	-	14 221 410	(23 514 228)
Electricity	372 766 867	2 135 717	11 422 787	(19 760)	386 305 611	(72 032 490)	(14 566 346)	6 587	(800 454)	(87 392 703)	298 912 908
Balance Previously Reported	377 667 850	2 135 717	11 422 787	(19 760)	391 206 595	(77 644 890)	(14 566 346)	6 587	(800 454)	(93 005 103)	298 201 492
Correction of Error - refer to note 36.1	(4 900 983)	-	-	-	(4 900 983)	5 612 400	-	-	-	5 612 400	711 416
Transferred	-	-	-	-	-	-	-	-	-	-	-
Sewerage Mains & Purification	144 042 836	249 146	9 246 517	-	153 538 499	(30 470 236)	(6 961 890)	-	(1 570 546)	(39 002 672)	114 535 827
Balance Previously Reported	170 642 570	249 146	9 246 517	-	180 138 233	(37 482 675)	(6 961 890)	-	(1 570 546)	(46 015 111)	134 123 121
Correction of Error - refer to note 36.1	(26 599 734)	-	-	-	(26 599 734)	7 012 439	-	-	-	7 012 439	(19 587 294)
Water Mains & Purification	468 542 825	896 333	24 554 465	-	493 993 624	(76 609 000)	(15 094 102)	-	(6 549 779)	(98 252 881)	395 740 744
Balance Previously Reported	431 465 485	896 333	24 554 465	-	456 916 284	(64 110 337)	(15 094 102)	-	(6 549 779)	(85 754 217)	371 162 066
Correction of Error - refer to note 36.1	37 077 341	-	-	-	37 077 341	(12 498 663)	-	-	-	(12 498 663)	24 578 677
Solid waste	4 355 940	-	-	-	4 355 940	(2 692 686)	-	-	-	(2 692 686)	1 663 254
Balance Previously Reported	4 355 940	-	-	-	4 355 940	(2 692 686)	-	-	-	(2 692 686)	1 663 254
Correction of Error - refer to note 36.1	-	-	-	-	-	-	-	-	-	-	-
Railway infrastructure	12 358 701	-	-	-	12 358 701	(6 179 351)	(1 235 870)	-	-	(7 415 221)	4 943 480
Balance Previously Reported	12 358 701	-	-	-	12 358 701	(6 179 351)	(1 235 870)	-	-	(7 415 221)	4 943 480
Correction of Error - refer to note 36.1	-	-	-	-	-	-	-	-	-	-	-
Other Infrastructure	95 073	-	-	-	95 073	(12 230)	(2 446)	-	-	(14 676)	80 397
Balance Previously Reported	-	-	-	-	-	-	(2 446)	-	-	(2 446)	(2 446)
Correction of Error - refer to note	95 073	-	-	-	95 073	(12 230)	-	-	-	(12 230)	82 843
	<b>1 606 524 790</b>	<b>4 036 470</b>	<b>72 819 249</b>	<b>(19 760)</b>	<b>1 683 360 750</b>	<b>(293 105 187)</b>	<b>(60 252 156)</b>	<b>6 587</b>	<b>(9 063 873)</b>	<b>(362 414 630)</b>	<b>1 320 946 120</b>

<b>Community assets</b>											
Community Assets	77 440 884	750 535	9 627 321	-	87 818 740	(15 005 082)	(3 222 774)	-	(1 523 090)	(19 750 946)	68 067 794
Balance Previously Reported	70 420 677	750 535	9 627 321	-	80 798 533	(12 583 887)	(3 222 774)	-	(1 523 090)	(17 329 751)	63 468 782
Correction of Error - refer to note 36.1	7 200 123	-	-	-	7 200 123	(2 421 195)	-	-	-	(2 421 195)	4 778 928
Transferred	(179 916)	-	-	-	(179 916)	-	-	-	-	-	(179 916)
	<b>77 440 884</b>	<b>750 535</b>	<b>9 627 321</b>	<b>-</b>	<b>87 818 740</b>	<b>(15 005 082)</b>	<b>(3 222 774)</b>	<b>-</b>	<b>(1 523 090)</b>	<b>(19 750 946)</b>	<b>68 067 794</b>
<b>Other Assets</b>											
Vehicles and Movable Assets	71 757 443	4 597 411	-	(932 323)	75 422 531	(33 976 613)	(13 139 229)	638 872	(33 784)	(46 510 754)	28 911 776
Balance Previously Reported	71 577 527	4 597 411	-	(932 323)	75 242 615	(33 980 929)	(13 139 229)	638 872	(33 784)	(46 515 070)	28 727 544
Correction of Error - refer to note 36.1	-	-	-	-	-	4 316	-	-	-	4 316	4 316
Transferred	179 916	-	-	-	179 916	-	-	-	-	-	179 916
Other Fixed Assets	4 392 852	-	-	-	4 392 852	(26 083)	-	-	-	(26 083)	4 366 769
	<b>76 150 295</b>	<b>4 597 411</b>	<b>-</b>	<b>(932 323)</b>	<b>79 815 383</b>	<b>(34 002 696)</b>	<b>(13 139 229)</b>	<b>638 872</b>	<b>(33 784)</b>	<b>(46 536 837)</b>	<b>33 278 546</b>
<b>GRAND TOTAL</b>	<b>1 947 209 362</b>	<b>10 580 021</b>	<b>84 387 059</b>	<b>(952 082)</b>	<b>2 041 224 360</b>	<b>(370 452 932)</b>	<b>(81 825 848)</b>	<b>645 459</b>	<b>(11 709 085)</b>	<b>(463 342 405)</b>	<b>1 577 881 955</b>

**//KHARA HAIS MUNICIPALITY**

**APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

<b>2013 Actual Income R</b>	<b>2013 Actual Expenditure R</b>	<b>2013 Surplus/ (Deficit) R</b>		<b>2014 Actual Income R</b>	<b>2014 Actual Expenditure R</b>	<b>2014 Surplus/ (Deficit) R</b>
48 388 125	29 610 189	18 777 937	Executive & Council	65 771 447	28 490 095	37 281 352
100 836 710	51 491 584	49 345 127	Budget & Treasury	131 270 264	57 055 734	74 214 530
1 609 653	52 554 248	(50 944 595)	Corporate Services	4 198 816	57 060 221	(52 861 405)
1 688 028	12 471 480	(10 783 452)	Planning & Development	5 224 794	11 776 542	(6 551 748)
1 308 287	4 998 399	(3 690 111)	Health	1 216 484	4 607 201	(3 390 717)
794 670	8 140 004	(7 345 333)	Community & Social Services	891 193	8 526 952	(7 635 759)
6 855 006	9 932 644	(3 077 638)	Housing	6 151 138	7 254 832	(1 103 694)
6 979 909	22 447 349	(15 467 440)	Public Safety	6 530 785	23 375 380	(16 844 595)
21 231 361	30 645 928	(9 414 567)	Sport & Recreation	4 505 986	33 031 602	(28 525 616)
-	-	-	Environmental Protection	-	-	-
23 257 439	27 568 165	(4 310 725)	Waste Management	26 356 726	28 976 780	(2 620 054)
25 348 296	27 097 120	(1 748 824)	Waste Water Management	27 885 012	30 806 208	(2 921 197)
168 399	39 024 001	(38 855 602)	Road Transport	206 201	39 434 479	(39 228 279)
39 770 950	41 774 804	(2 003 855)	Water	46 764 108	52 237 114	(5 473 006)
179 086 144	160 638 950	18 447 194	Electricity	207 837 102	177 714 362	30 122 740
223	1 692 577	(1 692 353)	Other	60	1 489 016	(1 488 957)
<b>457 323 201</b>	<b>520 087 440</b>	<b>(62 764 239)</b>	<b>TOTAL</b>	<b>534 810 116</b>	<b>561 836 519</b>	<b>(27 026 403)</b>



**//KHARA HAIS MUNICIPALITY**

**APPENDIX D: ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2014**

Description	2013/2014 Actual R	2013/2014 Budget R	2013/2014 Variance R	2013/2014 Variance %	Explanation of Significant Variances (Above or below 10%)
<b>REVENUE</b>					
Property rates	61 002 862	63 349 853	(2 346 991)	-4%	
Service charges	306 086 270	317 273 482	(11 187 213)	-4%	
Rental of facilities and equipment	8 123 689	7 047 682	1 076 007	15%	
Interest earned - external investments	1 164 803	914 217	250 586	27%	
Interest earned - outstanding receivables	1 996 524	1 682 327	314 197	19%	
Fines	873 270	865 472	7 798	1%	
Actuarial Gain	6 706 302	-	6 706 302	100%	
Fair Value Adjustment on Investment Property	12 043 212	-	12 043 212	100%	
Licences and permits	1 642 016	1 670 187	(28 171)	-2%	
Income for agency service	3 457 704	3 476 800	(19 096)	-1%	
Income for housing agency service	648 363	1 500 000	(851 637)	-57%	
Employee housing	104 375	113 856	(9 481)	-8%	
Government grants and subsidies - Operating	69 642 640	68 747 923	894 717	1%	
Government grants and subsidies - Capital	52 910 396	73 032 301	(20 121 905)	-28%	
Other income	7 469 669	7 947 933	(478 264)	-6%	
	533 872 094	547 622 033	(13 749 939)	-3%	
Less: Revenue foregone	(2 138 216)	(2 186 907)	48 691	-2%	
<b>Total Revenue</b>	<b>531 733 878</b>	<b>545 435 126</b>	<b>(13 701 248)</b>	<b>-3%</b>	
<b>EXPENDITURE</b>					
Employee related costs	199 439 592	199 803 930	364 338	0%	
Remuneration of councillors	7 120 447	7 483 334	362 887	5%	
Contributions to provisions - Bad debts	240 590	1 000 000	759 410	76%	
Contributions to provisions - Other	14 283 163	10 245 695	4 037 468	-39%	
Collection cost	154 825	210 000	55 175	26%	
Depreciation and amortisation expense	82 804 120	108 541 880	25 737 760	24%	
Impairment Loss	11 709 085	-	(11 709 085)	-100%	
Repairs and maintenance	10 558 606	14 649 020	4 090 414	28%	
Finance costs	19 944 458	16 227 962	(3 716 496)	-23%	
Bulk purchases	136 031 708	133 531 083	(2 500 625)	-2%	
Contracted services	15 953 849	20 584 654	4 630 805	22%	
Grants and subsidies paid	27 209 537	25 743 902	(1 465 635)	-6%	
Operating projects	1 394 202	1 079 140	(315 062)	-29%	
General expenses	34 992 337	54 512 200	19 519 863	36%	
<b>Total Expenditure</b>	<b>561 836 519</b>	<b>593 612 800</b>	<b>31 776 281</b>	<b>5%</b>	
Gain / (loss) on sale of assets	3 076 238	4 500 000	(1 423 762)	-32%	
<b>NET SURPLUS/(DEFICIT)</b>	<b>(27 026 403)</b>	<b>(43 677 674)</b>	<b>16 651 271</b>	<b>-38%</b>	

**//KHARA HAIS MUNICIPALITY**

**APPENDIX E: ACTUAL VERSUS BUDGET (ACQUISITION OF PPE, IP AND INTANGIBLE ASSETS) FOR THE YEAR ENDED 30 JUNE 2014**

	2013/2014 Actual R	2013/2014 Adjustment Budget R	2013/2014 Variance R	2013/2014 Variance %	Explanation of Significant Variances
Executive & Council	1 026 625	2 065 344	(1 038 718)	-50.29%	Capital projects not completed
Budget & Treasury	154 161	196 000	(41 839)	-21.35%	Capital projects not completed
Corporate Services	6 279 498	6 759 595	(480 097)	-7.10%	Capital projects not completed
Planning & Development	21 049	525 418	(504 369)	-95.99%	Capital projects not completed
Community & Social Services	6 359	546 631	(540 272)	-98.84%	Capital projects not completed
Public Safety	20 000	131 672	(111 672)	-84.81%	Capital projects not completed
Sport & Recreation	10 544 664	17 306 505	(6 761 841)	-39.07%	Capital projects not completed
Waste Management	-	-	-	#DIV/0!	Capital projects not completed
Waste Water Management	9 498 558	16 191 594	(6 693 036)	-41.34%	Capital projects not completed
Road Transport	28 353 938	45 290 742	(16 936 804)	-37.40%	Capital projects not completed
Water	25 533 725	29 599 440	(4 065 715)	-13.74%	Capital projects not completed
Electricity	13 558 504	28 655 158	(15 096 654)	-52.68%	Capital projects not completed
<b>GRAND TOTALS</b>	<b>94 997 081</b>	<b>147 268 099</b>	<b>(52 271 018)</b>	<b>-35.5%</b>	

**APPENDIX F - Unaudited**  
**//KHARA HAIS MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2013	Correction of error	Restated balance 1 JULY 2013	Contributions during the year	Transferred	Withheld	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2014	Unspent 30 JUNE 2014 (Creditor)	Unpaid 30 JUNE 2014 (Debtor)
	R		R	R	R	R	R	R	R	R	R
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>											
FMG	(929 623)	929 623	-	1 550 000	-	-	(1 550 000)	-	-	-	-
MSIG	(591 332)	591 332	-	890 000	-	-	(890 000)	-	-	-	-
Libraries	819 602	-	819 602	931 000	-	-	(554 349)	(1 315)	1 194 938	1 194 938	-
MIG	32 238 943	(132 821)	32 106 123	34 945 000	-	(2 533 000)	(5 221 776)	(34 900 686)	24 395 661	24 395 661	-
Lotto	(1 239 568)	-	(1 239 568)	1 900 000	-	-	(67 608)	(565 417)	27 407	27 407	-
Cleanest Town Competition	4 001	-	4 001	-	-	-	-	-	4 001	4 001	-
Royal Agricultural Society	117 567	-	117 567	20 000	-	-	(3 595)	(341 678)	(207 706)	-	(207 706)
Provincial LED Projects	101 593	-	101 593	-	-	-	-	-	101 593	101 593	-
EPWP	3 714 455	-	3 714 455	1 000 000	-	-	(286 851)	(2 983 868)	1 443 737	1 443 737	-
Health	(3 379 659)	-	(3 379 659)	2 274 000	-	-	(1 275 000)	-	(2 380 659)	-	(2 380 659)
INEP	-	(800 000)	(800 000)	9 700 000	-	-	(1 043 135)	(7 856 865)	-	-	-
DWA	-	-	-	630 547	-	-	(52 184)	(372 744)	205 618	205 618	-
Department of Transport	402 308	-	402 308	-	-	-	(2 855)	(20 391)	379 062	379 062	-
Donations - Other	30 000	-	30 000	-	-	-	-	-	30 000	30 000	-
Duineveld High School	-	-	-	18 000	-	-	-	(18 000)	-	-	-
FET / COGHTA Learnership	-	-	-	40 500	-	-	(62 024)	-	(21 524)	-	(21 524)
Community Sport for Youth Development	-	-	-	1 872 753	-	-	(435 331)	(4 053 023)	(2 615 600)	-	(2 615 600)
Cultural Festival	-	-	-	218 000	-	-	(205 360)	-	12 640	12 640	-
<b>Total</b>	<b>31 288 288</b>	<b>588 134</b>	<b>31 876 422</b>	<b>55 989 800</b>	<b>-</b>	<b>(2 533 000)</b>	<b>(11 650 067)</b>	<b>(51 113 986)</b>	<b>22 569 169</b>	<b>27 794 658</b>	<b>(5 225 489)</b>

**APPENDIX G**  
**//KHARA HAIS MUNICIPALITY**  
**STATEMENT OF REMUNERATION OF COUNCILLORS & SENIOR MANAGEMENT**

30 June 2014

Incumbent	Fees for Rates	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R		R	R	R	R	R
<b>Mayor</b>							
Limakatso A Koloï	608	1 992	584 642	-	664	93 184	678 490
<b>Speaker</b>							
Thomas Basson	-	-	493 402	-	58 218	-	551 620
<b>Executive Committee</b>							
Rlds E Allies	10 199	18 026	241 544	-	58 927	-	300 471
Rlds M Segede	-		285 251	-	15 220	-	300 471
Rlds J L Snyman	8 443	26 203	226 043	-	41 680	32 748	300 471
Rlds K De Wee	-		249 051	-	15 220	36 199	300 471
<b>Other Councillors</b>							
Rlds M Plaatjies	-	-	182 669	-	15 220	26 327	224 216
Rlds J Thomas	-	-	182 669	-	15 220	26 327	224 216
Rlds J Assegaaï	-	-	208 996	-	15 220	-	224 216
Rlds S P May	-	3 260	208 996	-	15 220	-	224 216
Rlds I S S Selborne	2 094	5 709	198 916	-	25 300	-	224 216
Rlds E Munnik	203	5 131	182 669	-	15 220	26 327	224 216
Rlds M Kock	203	1 024	182 669	-	15 220	26 327	224 216
Rlds J Isaacs	4 255	11 366	182 669	-	15 220	26 327	224 216
Rlds M M Abels	2 094	1 458	182 669	-	15 220	26 327	224 216
Rlds M Andreas	-	-	208 996	-	15 220	-	224 216
Rlds M G Brand	540	1 227	144 663	-	58 927	20 626	224 216
Rlds R George	-	-	182 669	-	15 220	26 327	224 216
Rlds E Lebitsa	-	-	165 289	-	58 927	-	224 216
Rlds E Mnyaka	-	-	208 996	-	15 220	-	224 216
Rlds J Moya	-	-	208 996	-	15 220	-	224 216
Rlds D Ntlanganiso	-	-	144 663	-	58 927	20 626	224 216
Rlds P T Van der Steen	7 317	26 744	208 996	-	15 220	-	224 216
Rlds A Van Rooyen	10 604	25 931	176 239	-	47 977	-	224 216
Rlds A van Wyk	-	-	182 669	-	15 220	26 327	224 216
Rlds I van Wyk	-	-	164 023	-	13 481	24 117	201 621
Rlds J M Van Wyk	3 242	5 294	125 913	-	8 264	17 814	151 991
Rlds E olyn	-	2 216	58 941	-	6 956	8 841	74 739
<b>Total for Councillors</b>	<b>49 799</b>	<b>135 581</b>	<b>5 973 908</b>	<b>-</b>	<b>681 769</b>	<b>464 770</b>	<b>7 120 447</b>

30 June 2014

Incumbent	Fees for Rates	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Total Remuneration
	R		R	R	R	R	R
<b>Municipal Manager (filled for 7 months)</b> DE Ngxanga	12 346	20 431	691 073	-	131 865	198 555	1 021 493
<b>Chief Financial Officer</b> GM Schreiner	419	1 590	680 300	-	205 923	153 426	1 039 649
<b>Manager: Community Services</b> GM Bovu	3 174	5 049	901 943	-	128 734	11 098	1 041 775
<b>Manager: Corporate Services</b> CM Newman	1 202	5 716	678 000		203 293	159 002	1 040 295
<b>Acting Manager: Developmental Services (Position created 31 January 2014, Filled from 25 March 2014)</b> PJ Viviers	-		309 000	-	16 530	3 784	329 314
<b>Manager: Electro-mechanical Services</b> H Auret	9 388	30 439	794 520	-	41 934	203 601	1 040 055
<b>Acting Manager: Civil engineering Services (Position created 31 January 2014, Filled from 25 March 2014)</b> JE Kock	-		225 609	-	50 250	3 178	279 037
<b>Total for Senior Managers</b>	26 530	63 224	4 280 445	-	778 529	732 644	4 770 126

**//KHARA HAIS MUNICIPALITY  
APPENDIX H  
RATIO ANALYSIS**

RATIO	NORM/RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS (#)
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" R 000 "

**1. FINANCIAL POSITION**

**A. Asset Management/Utilisation**

<b>1</b>	Capital Expenditure to Total Expenditure	10% - 20%		9%	Only capital projects funded by Grant allocations are being conducted
			Total Operating Expenditure	561 836 519	
			Taxation Expense	-	
			Total Capital Expenditure	52 910 396	

<b>2</b>	Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%		1%	The implementation of a stricter Asset Management Plan resulted in assets being impaired.
			PPE, Investment Property and Intangible Impairment	11 709 085	
			PPE at carrying value	1 577 881 955	
			IP at carrying value	209 472 908	
			Intangible Assets at carrying value	306 949	

<b>3</b>	Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%		1%	This is due to the implementation of GRAP 17 with the higher DRC values
			Total Repairs and Maintenance Expenditure	10 558 606	
			PPE at carrying value	1 577 881 955	
			Investment Property at Carrying value	209 472 908	

**B. Debtors Management**

<b>1</b>	Collection Rate	95%		99%	
			Gross Debtors closing balance	60 237 741	
			Gross Debtors opening balance	56 167 746	
			Bad debts written Off	1 291 004	
			Billed Revenue	367 089 131	

2	Bad Debts Written-off as % of Provision for Bad Debt	100%		14%	
			Consumer Debtors Bad debts written off	1 291 004	
			Consumer Debtors Current bad debt Provision	9 324 145	

3	Net Debtors Days	30 days		51 days	Credit Control and Debt Collection Policy is not fully implemented
			Gross debtors	60 237 741	
			Bad debts Provision	9 324 145	
			Billed Revenue	367 089 131	

**C. Liquidity Management**

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months		-1 Month	Non-collection of outstanding debtors resulted in cash flow problems
			Cash and cash equivalents	2 871 591	
			Unspent Conditional Grants	36 248 360	
			Overdraft	3 993 021	
			Short Term Investments	668 913	
Total Annual Operational Expenditure	561 836 519				

2	Current Ratio	1.5 - 2:1		0.38	Non-collection of outstanding debtors resulted in cash flow problems
			Current Assets	66 096 488	
			Current Liabilities	174 836 050	

**D. Liability Management**

1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		9%	Decrease in total operating expenditure resulted in higher capital cost percentage.
			Interest Paid	19 944 458	
			Redemption	28 477 661	
			Total Operating Expenditure	561 836 519	
			Taxation Expense	-	

2	Debt (Total Borrowings) / Revenue	45%		27%	
			Total Debt	145 667 638	
			Total Operating Revenue	534 810 116	
			Operational Conditional Grants		

### E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		-2%	Unspent Conditional Grants were not cash backed at the end of the financial year due to cash flow constrains
			Cash and cash Equivalents	2 871 591	
			Bank Overdraft	3 993 021	
			Short Term Investment	668 913	
			Long Term Investment	-	
			Unspent Grants	36 248 360	
			Net Assets	1 476 163 298	
			Share Premium	-	
			Share Capital	-	
			Revaluation Reserve	-	
			Fair Value Adjustment Reserve	-	
Accumulated Surplus	-				

## 2. FINANCIAL PERFORMANCE

### A. Efficiency

1	Net Operating Surplus Margin	= or > 0%		-17%	Total Operating Revenue excludes Capital Expenditure Transferred to Revenue. Implementation of GRAP 17 with higher DRC values resulted in depreciation in excess of R 80 million.
			Total Operating Revenue	481 899 719	
			Depreciation - Revalued Portion <i>(Only populate if depreciation line item in</i>	-	
			Total Operating Expenditure	561 836 519	
			Taxation Expense	-	



2	Net Surplus /Deficit Electricity	0% - 15%		14%	Electricity tariffs are approved by NERSA.
			Total Electricity Revenue	207 837 102	
			Total Electricity Expenditure	177 714 362	
3	Net Surplus /Deficit Water	= or > 0%		-12%	Water tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17.
			Total Water Revenue	46 764 108	
			Total Water Expenditure	52 237 114	
4	Net Surplus /Deficit Refuse	= or > 0%		-10%	Refuse tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17.
			Total Refuse Revenue	26 356 726	
			Total Refuse Expenditure	28 976 780	
5	Net Surplus /Deficit Sanitation and Waste Water	= or > 0%		19%	Sanitation tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17.
			Total Sanitation and Water Waste Revenue	27 885 012	
			Total Sanitation and Water Waste Expenditure	22 690 068	

## B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	7% - 10%		10%	
			Number of units purchased and/or generated	206 382 986	
			Number of units sold	186 219 657	
2	Water Distribution Losses (Percentage)	15% - 30%		41%	A project War against leaks were implemented to address these losses. A water masterplan is in the process of being compiled.
			Number of kilolitres purchased and/or purified	14 944 639	
			Number of kilolitres sold	8 834 378	

## C. Revenue Management

1	Growth in Number of Active Consumer Accounts	None		9%	Cleansing of Debtor Database through Revenue Enhancement Programme.
			Number of Active Debtors Accounts (Previous)	28 732	
			Number of Active Debtors Accounts (Current)	31 272	
2	Revenue Growth (%)	= CPI		17%	The average CPI for the year ended 30 June 2014 was used
			CPI	6%	
			Total Revenue (Previous)	457 323 201	
			Total Revenue (Current)	534 810 116	
3	Revenue Growth (%) - Excluding capital grants	= CPI		16%	The average CPI for the year ended 30 June 2014 was used
			CPI	6%	
			Total Revenue Exl.Capital (Previous)	415 166 306	
			Total Revenue Exl.Capital (Current)	481 899 719	

## D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	30 days		122 days	Unspent grants previously not cash backed resulted in own funds being utilised to fund these projects as well as the non-collection of debtors resulted in cash flow problems
			Trade Creditors	97 821 064	
			Contracted Services	15 953 849	
			Repairs and Maintenance	10 558 606	
			General expenses	34 992 337	
			Bulk Purchases	136 031 708	
Capital Credit Purchases ( <i>Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment</i> )	94 997 081				

2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		55%	
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	306 642 484	
			Total Operating Expenditure	561 836 519	
			Taxation Expense	-	

3	Remuneration as % of Total Operating Expenditure	25% - 40%		37%	
			Employee/personnel related cost	199 439 592	
			Councillors Remuneration	7 120 447	
			Total Operating Expenditure	561 836 519	
Taxation Expense	-				

4	Contracted Services % of Total Operating Expenditure	2% - 5%		3%	
			Contracted Services	15 953 849	
			Total Operating Expenditure	561 836 519	
			Taxation Expense	-	

## E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		44%	
			Internally generated funds	1 337 065	
			Borrowings	40 098 317	
			Total Capital Expenditure	94 997 081	

2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		1%	
			Internally generated funds	1 337 065	
			Total Capital Expenditure	94 997 081	

3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		80%	
			Total Revenue	408 151 012	
			Government grant and subsidies	122 553 036	
			Public contributions and Donations	-	
	Capital Grants		52 910 396		

### 3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	95% - 100%		65%	Inflated capital budget due to roll-overs
			Actual Capital Expenditure	94 997 081	
			Budget Capital Expenditure	147 268 099	

2	Operating Expenditure Budget Implementation Indicator	95% - 100%		95%	Stricter budget controls resulted in less portion of budget being spent
			Actual Operating Expenditure	561 836 519	
			Budget Operating Expenditure	593 612 800	

3	Operating Revenue Budget Implementation Indicator	95% - 100%		104%	Total Operating Revenue excludes Capital Expenditure Transferred to Revenue
			Actual Operating Revenue	481 899 719	
			Budget Operating Revenue	461 634 956	

4	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		100%	
			Actual Service Charges and Property Rates Revenue	364 950 915	
			Budget Service Charges and Property Rates Revenue	363 168 559	

Interpretation of results

	The green colour indicates that the result is within the norm and is acceptable
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.
	Data should be captured in the blue colour cell to calculate a ratio.
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced