

OR TAMBO

DISTRICT MUNICIPALITY



O.R. TAMBO DISTRICT MUNICIPALITY

2013/14

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2014

OR TAMBO DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

INDEX

NO	CONTENTS	PAGE
1	General Information and Approval of Annual Financial Statements	2
2	Members of the Council	4
3	Audit Report	6
4	Statement of Financial Position	7
5	Statement of Financial Performance	8
6	Statement of Changes in Net Assets	9
7	Cash Flow Statement	10
8	Statement of Comparison of Budget and Actual Amounts	11
9	Accounting Policies	18
10	Notes to the Annual Financial Statements	43
	Appendices in terms of GRAP1.12 and .19:	
11	D Segmental Statement of Financial Performance	104
12	E Budget Reconciliations	105
13	G Statement of Remuneration of Management	109
14	H Ratio Analysis Schedule	114

ORTAMBO DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

GENERAL INFORMATION

EXECUTIVE MAYOR

N. Meth (Ms)

SPEAKER

R.Z. Nogumla

MEMBERS OF THE MAYORAL COMMITTEE

Mayor

Speaker

Councillors: N.W. Dyule (Ms)
L.N. Mambila
B. Mbede
S. Mlamli
W. Ngozi

B.J. Nkani (Ms)
R.Z. Nogumla
M.C. Socikwa
N. Sogontuza (Ms)

GRADING OF THE LOCAL AUTHORITY

Grade 4

AUDITORS

External: Auditor General

Internal: Own Staff

PRIMARY BANKER

First National Bank

REGISTERED OFFICE

Magwa House
Nelson Mandela Drive
MTHATHA
5099

Private Bag X6043
MTHATHA
5099

Telephone: (047) 501-6400

Facsimile: (047) 501-6455

E-Mail: ortambodm@ortambodm.org.za

MUNICIPAL MANAGER

H.T. Hlazo (047) 501-6400

tshakah@ortambodm.org.za

CHIEF FINANCIAL OFFICER

M.E. Moleko (047) 501-7011

molekom@ortambodm.org.za

OR TAMBO DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

GENERAL INFORMATION (continued)

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 7 to 117, in terms of Section 126(1) of the Municipal Finance Management Act (Act No 56 of 2003) and which I have signed on behalf of the municipality.

These Annual Financial Statements will be presented to the Council for information during September 2014.

H.T. HLAZO
MUNICIPAL MANAGER
29 August 2014

M.E. MOLEKO
CHIEF FINANCIAL OFFICER
29 August 2014

OR TAMBO DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

MEMBERS OF THE COUNCIL

COUNCILLORS		PROPORTIONAL COUNCILLORS	
Dyule NW (Ms)	ANC	Capa NY (Ms)	ANC
Makhedama M	ANC	Cwecwe N	ANC
Mambila LN	ANC	Dambuza MB	ANC
Mamve NN (Ms)	ANC	Dawedi AM	ANC
Mandita KD	ANC	Dlani XH	ANC
Mbede B	ANC	Gwadiso VO	ANC
Meth N (Ms)	ANC	Hibhane Z	ANC
Mgugudo NO (Ms)	ANC	Khupelo TE	ANC
Ngozi W	ANC	Magaya FA	ANC
Njemla SN	ANC	Mathe MS	ANC
Nkani BJ (Ms)	ANC	Matomane NR (Ms)	ANC
Nogumla RZ	ANC	Mbotshwa N (Ms)	ANC
Ntobongwana N (Ms)	ANC	Mlamli S	ANC
Ntsuba VW	ANC	Mnyanda V	ANC
Pepping PN (Ms)	ANC	Mpemnyama N	ANC
Sabisa T	ANC	Mvamveki RN	ANC
Sabona J	ANC	Mziba L (Ms)	ANC
Sigcau M	ANC	Ngabayena M	ANC
Soguntuza N (Ms)	ANC	Nkungu MI	ANC
Dudumayo RB	UDM	Nomvete T	ANC
Ndude LM	UDM	Ntshoyi NP (Ms)	ANC
Ndzwayiba MW	COPE	Nyoka M	ANC
Xangayi CT	DA	Ruleni S	ANC
		Sikhonkothela N	ANC
		Socikwa MC	ANC
		Thwatshuka D	ANC
		Zimela M	ANC
		Zweni RM	ANC
		Bunzana M	UDM
		Mkrokrelwa M	UDM
		Mzimane NF	UDM
		Ndlobongela B	UDM
		Gogo M	COPE
		Maqabuka Z	COPE
		Kotana MPJ	DA

OR TAMBO DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

MEMBERS OF THE COUNCIL (continued)

CERTIFICATION OF REMUNERATION OF COUNCILLORS

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

H.T. HLAZO
MUNICIPAL MANAGER
29 August 2014

OR TAMBO DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2014

AUDIT REPORT

The 2013/14 Audit Report was not available when the Annual Financial Statements were approved and will be attached hereto as Annexure "A" when received after the completion of the statutory audit.

OR TAMBO DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Note	Actual	
		2014 R	2013 Restated R
ASSETS			
Current Assets		414 569 743	505 202 863
Inventories	2	37 172 755	19 539 706
Receivables from Exchange Transactions	3	61 522 600	45 136 742
Receivables from Non-exchange Transactions	4	58 892 774	174 538 448
VAT Receivable	5	52 726 545	72 903 976
Cash and Cash Equivalents	6	204 255 070	193 083 992
Current Portion of Long-term Receivables	N/A	-	-
Non-Current Assets		3 568 102 583	3 176 484 579
Property, Plant and Equipment	7	3 549 437 231	3 162 477 315
Intangible Assets	8	156 846	156 846
Investment Property	9	2 200 000	2 200 000
Heritage Assets	13	90 000	90 000
Biological Assets	11	16 101 221	9 844 140
Long-term Receivables	12	117 285	1 716 278
Total Assets		3 982 672 326	3 681 687 443
LIABILITIES			
Current Liabilities		410 357 551	463 964 111
Consumer Deposits	13	1 672 042	1 478 289
Provisions	14	1 335 242	1 803 206
Payables from Exchange Transactions	15	149 807 607	179 381 489
Payables from Non-exchange Transactions	16	231 524 952	85 124 049
Unspent Conditional Grants and Receipts	17	25 589 557	195 302 702
Bank Overdraft	6	-	-
Current Portion of Long-term Liabilities	18	428 151	874 376
Non-Current Liabilities		11 653 494	8 755 338
Long-term Liabilities	18	583 753	638 202
Employee Benefit Liabilities	19	11 069 741	8 117 136
Total Liabilities		422 011 045	472 719 449
Total Assets and Liabilities		3 560 661 281	3 208 967 994
NET ASSETS		3 560 661 281	3 208 967 994
Reserves	20	68 329 926	68 329 926
Accumulated Surplus / (Deficit)	21	3 492 331 355	3 140 638 068
Total Net Assets		3 560 661 281	3 208 967 994

OR TAMBO DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual	
		2014 R	2013 Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Income from Agency Services	22	104 015	63 894
Government Grants and Subsidies Received	23	1 557 107 259	1 278 856 457
Revenue from Exchange Transactions			
Service Charges	24	150 061 034	127 871 676
Rental of Facilities and Equipment	25	29 414	17 132
Interest Earned - External Investments	26	19 054 621	21 490 534
Interest Earned - Outstanding Debtors	26	28 006 450	24 458 462
Other Revenue	27	93 296 276	91 062 473
Other Gains on Continued Operations	38	2 915 987	4 311 189
Gains on Disposal of Property, Plant and Equipment	N/A	5 709 299	-
Total Revenue		1 856 284 355	1 548 131 816
EXPENDITURE			
Employee Related Costs	28	281 891 705	227 482 673
Remuneration of Councillors	29	11 310 100	11 498 076
Depreciation and Amortisation	30	216 624 379	136 140 349
Impairment Losses	31	35 636 005	80 157 706
Repairs and Maintenance	32	23 001 974	58 037 423
Finance Costs	33	2 343 214	965 123
Bulk Purchases	34	40 105 296	78 243 815
Contracted Services	35	22 199 567	20 102 135
Grants and Subsidies Paid	36	50 510 745	77 074 698
General Expenses	37	730 327 984	459 357 567
Other Losses on Continued Operations	38	525 754	5 568 333
Loss on Disposal of Property, Plant and Equipment	N/A	-	685 929
Total Expenditure		1 414 476 722	1 155 313 828
SURPLUS / (DEFICIT) FOR THE YEAR		441 807 633	392 817 988
Refer to Budget Statement for explanation of budget variances			

OR TAMBO DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2013			
Balance at 30 June 2012	68 329 926	2 747 819 473	2 816 149 399
Change in Accounting Policy (Note 39)		-	-
Correction of Error (Note 40)	-	607	607
Restated Balance	68 329 926	2 747 820 080	2 816 150 006
Surplus / (Deficit) for the year		392 817 988	392 817 988
Balance at 30 June 2013	68 329 926	3 140 638 068	3 208 967 994
2014			
Change in Accounting Policy (Note 39)		-	-
Correction of Error (Note 40)		(90 114 347)	(90 114 347)
Restated Balance	68 329 926	3 050 523 721	3 118 853 647
Surplus / (Deficit) for the year		441 807 633	441 807 633
Balance at 30 June 2014	68 329 926	3 492 331 355	3 560 661 281

Details on the movement of the Funds and Reserves are set out in Note 21.

OR TAMBO DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	Actual	
		2014 R	2013 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Government Grant and Subsidies	23	1 387 394 114	1 090 760 347
Service Charges	24	98 039 171	77 699 662
Interest Received	26	19 054 621	21 490 534
Other Receipts	27	257 453 013	(111 972 707)
Payments			
Employee Related Costs	28	(279 407 064)	(226 843 229)
Remuneration of Councillors	29	(11 310 100)	(11 498 076)
Interest Paid	33	(2 343 214)	(965 123)
Suppliers Paid	35	(133 880 393)	(103 873 424)
Other Payments	37	(724 552 172)	(546 110 675)
NET CASH FLOWS FROM OPERATING ACTIVITIES		610 447 976	188 687 309
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(603 584 295)	(423 424 206)
Purchase of Biological Assets	11	(3 400 864)	-
Proceeds on Disposal of Property, Plant and Equipment		5 709 299	(685 929)
Proceeds on Disposal of Biological Assets		92 336	89 078
Decreases due to Harvest / Sales of Biological Assets		808 306	668 853
Decrease / (Increase) in Long-term Receivables	12	1 598 993	611 777
NET CASH FLOWS FROM INVESTING ACTIVITIES		(598 776 225)	(422 740 426)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	18	-	214 297
Repayment of Borrowings	18	(500 674)	(627 954)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(500 674)	(413 657)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	6	11 171 078	(234 466 775)
Cash and Cash Equivalents at Beginning of Period		193 083 992	427 550 766
Cash and Cash Equivalents at End of Period		204 255 070	193 083 992

OR TAMBO DISTRICT MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	16 196 580	-	16 196 580	-	-	16 196 580	37 172 755	-	20 976 175	229.51	229.51
Receivables from Exchange Transactions	12 391 000	-	12 391 000	-	-	12 391 000	61 522 600	-	49 131 600	496.51	496.51
Receivables from Non-exchange Transactions	3 587 850	-	3 587 850	-	-	3 587 850	58 892 774	-	55 304 924	1 641.45	1 641.45
VAT Receivable	-	-	-	-	-	-	52 726 545	-	52 726 545	0.00	0.00
Cash and Cash Equivalents	615 106 891	-	615 106 891	-	-	615 106 891	204 255 070	-	(410 851 821)	33.21	33.21
Current Portion of Long-term Receivables	1 585 379	-	1 585 379	-	-	1 585 379	-	-	(1 585 379)	0.00	0.00
Non-Current Assets											
Property, Plant and Equipment	5 676 861 590	126 333 852	5 803 195 442	-	-	5 803 195 442	3 549 437 231	-	(2 253 758 211)	61.16	62.52
Intangible Assets	1 688 611	-	1 688 611	-	-	1 688 611	156 846	-	(1 531 765)	9.29	9.29
Investment Property	2 200 000	-	2 200 000	-	-	2 200 000	2 200 000	-	-	100.00	100.00
Heritage Assets	-	-	-	-	-	-	90 000	-	90 000	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	117 285	-	117 285	0.00	0.00
Total Assets	6 341 350 468	126 333 852	6 467 684 320	-	-	6 467 684 320	3 982 672 326	-	(2 485 011 994)	61.58	62.80
Current Liabilities											
Provisions	-	-	-	-	-	-	1 335 242	-	1 335 242	0.00	0.00
Payables from Exchange Transactions	436 144 104	-	436 144 104	-	-	436 144 104	149 807 607	-	(286 336 497)	34.35	34.35
Payables from Non-exchange Transactions	-	-	-	-	-	-	231 524 952	-	231 524 952	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	25 589 557	-	25 589 557	0.00	0.00
Current Portion of Long-term Liabilities	245 000	-	245 000	-	-	245 000	428 151	-	183 151	174.76	174.76
Non-Current Liabilities											
Long-term Liabilities	70 000	-	70 000	-	-	70 000	583 753	-	513 753	833.93	833.93
Retirement Benefit Liabilities	-	-	-	-	-	-	11 069 741	-	11 069 741	0.00	0.00
Total Liabilities	436 459 104	-	436 459 104	-	-	436 459 104	422 011 045	-	(14 448 059)	96.69	96.69
Total Assets and Liabilities	5 904 891 364	126 333 852	6 031 225 216	-	-	6 031 225 216	3 560 661 281	-	(2 470 563 935)	59.04	60.30
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	5 904 891 364	126 333 852	6 031 225 216	-	-	6 031 225 216	3 492 331 355	-	(2 538 893 861)	57.90	59.14
Total Net Assets	5 904 891 364	126 333 852	6 031 225 216	-	-	6 031 225 216	3 560 661 281	-	(2 470 563 935)	59.04	60.30

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Income for Agency Services	-	-	-	-	-	-	104 015	-	104 015	0.00	0.00
Government Grants and Subsidies Received	1 179 493 612	173 096 007	1 352 589 619	-	-	1 352 589 619	1 557 107 259	-	204 517 640	115.12	132.01
Revenue from Exchange Transactions											
Service Charges	264 960 000	4 000 000	268 960 000	-	-	268 960 000	150 061 034	-	(118 898 966)	55.79	56.64
Rental of Facilities and Equipment	35 000	-	35 000	-	-	35 000	29 414	-	(5 586)	84.04	84.04
Interest Earned - External Investments	15 500 000	1 700 000	17 200 000	-	-	17 200 000	19 054 621	-	1 854 621	110.78	122.93
Interest Earned - Outstanding Debtors	19 000 000	-	19 000 000	-	-	19 000 000	28 006 450	-	9 006 450	147.40	147.40
Other Income	177 042 086	5 811 218	182 853 304	-	-	182 853 304	93 296 276	-	(89 557 028)	51.02	52.70
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	5 709 299	-	5 709 299	0.00	0.00
Total Revenue	1 656 030 698	184 607 225	1 840 637 923	-	-	1 840 637 923	1 856 284 355	-	15 646 432	100.85	112.09
Expenditure											
Employee Related Costs	262 942 190	20 746 988	283 689 178	-	-	283 689 178	281 891 705	-	(1 797 473)	99.37	107.21
Remuneration of Councillors	-	-	-	-	-	-	11 310 100	11 310 100	11 310 100	0.00	0.00
Depreciation and Amortisation	160 490 586	-	160 490 586	-	-	160 490 586	216 624 379	56 133 793	56 133 793	134.98	134.98
Impairment Losses	121 000 000	-	121 000 000	-	-	121 000 000	35 636 005	-	(85 363 995)	29.45	29.45
Repairs and Maintenance	32 061 008	(32 669)	32 028 339	-	-	32 028 339	23 001 974	-	(9 026 365)	71.82	71.74
Finance Costs	-	-	-	-	-	-	2 343 214	2 343 214	2 343 214	0.00	0.00
Contracted Services	21 806 050	3 070 600	24 876 650	-	-	24 876 650	22 199 567	-	(2 677 083)	89.24	101.80
Grants and Subsidies Paid	45 183 033	11 413 042	56 596 075	-	-	56 596 075	50 510 745	-	(6 085 330)	89.25	111.79
General Expenses	166 984 110	42 173 169	209 157 279	-	934 457 368	1 143 614 647	730 327 984	-	(413 286 663)	63.86	437.36
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Expenditure	840 466 977	77 101 130	917 568 107	-	934 457 368	1 852 025 475	1 414 476 722	80 688 157	(437 548 753)	76.37	168.30
Surplus/(Deficit)	815 563 721	107 506 095	923 069 816	-	(934 457 368)	(11 387 552)	441 807 633	(80 688 157)	453 195 185	0.00	54.17
Surplus/(Deficit for the Year)	815 563 721	107 506 095	923 069 816	-	(934 457 368)	(11 387 552)	441 807 633	(80 688 157)	453 195 185	-	54.17

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	-	-	-	-	-	-	-	-	-	0.00	0.00
Grants	1 300 493 611	166 201 331	1 466 694 942	-	-	1 466 694 942	1 387 394 114	-	(79 300 828)	94.59	106.68
Service Charges	200 037 086	6 400 000	206 437 086	-	-	206 437 086	98 039 171	-	(108 397 915)	47.49	49.01
Interest Received	34 500 000	6 372 658	40 872 658	-	-	40 872 658	19 054 621	-	(21 818 037)	46.62	55.23
Other Receipts	-	-	-	-	-	-	257 453 013	257 453 013	257 453 013	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(279 407 064)	-	(279 407 064)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(11 310 100)	-	(11 310 100)	0.00	0.00
Interest Paid	-	-	-	-	-	-	(2 343 214)	-	(2 343 214)	0.00	0.00
Suppliers Paid	(524 280 965)	(47 804 809)	(572 085 774)	-	-	(572 085 774)	(133 880 393)	438 205 381	438 205 381	0.00	0.00
Other Payments	(34 695 421)	(4 835 332)	(39 530 753)	-	-	(39 530 753)	(724 552 172)	-	(685 021 419)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(815 563 722)	(126 333 852)	(941 897 574)	-	-	(941 897 574)	(603 584 295)	338 313 279	338 313 279	0.00	0.00
Purchase of Biological Assets	-	-	-	-	-	-	(3 400 864)	-	(3 400 864)	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	5 709 299	5 709 299	5 709 299	0.00	0.00
Proceeds on Disposal of Biological Assets	-	-	-	-	-	-	92 336	92 336	92 336	0.00	0.00
Decreases due to Harvest / Sales of Biological Assets	-	-	-	-	-	-	808 306	808 306	808 306	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	1 598 993	1 598 993	1 598 993	0.00	0.00
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	-	-	-	-	-	-	(500 674)	-	(500 674)	0.00	0.00
Cash and Cash Equivalents at End of the Year	160 490 589	(4)	160 490 585	-	-	160 490 585	11 171 078	1 042 180 607	(149 319 507)	6.96	6.96

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	16 116 000	-	16 116 000	-	-	16 116 000	19 539 706	-	3 423 706	121.24	121.24
Receivables from Exchange Transactions	16 491 000	(3 000 000)	13 491 000	-	-	13 491 000	45 136 742	-	31 645 742	334.57	273.71
Receivables from Non-exchange Transactions	3 570 000	-	3 570 000	-	-	3 570 000	174 538 448	-	170 968 448	4 889.03	4 889.03
VAT Receivable	-	-	-	-	-	-	72 903 976	-	72 903 976	0.00	0.00
Cash and Cash Equivalents	190 367 000	264 249 418	454 616 418	-	-	454 616 418	193 083 992	-	(261 532 426)	42.47	101.43
Current Portion of Long-term Receivables	1 577 491	-	1 577 491	-	-	1 577 491	-	-	(1 577 491)	0.00	0.00
Non-Current Assets											
Property, Plant and Equipment	4 683 394 160	338 394 294	5 021 788 454	-	-	5 021 788 454	3 162 477 315	-	(1 859 311 139)	62.98	67.53
Intangible Assets	1 688 611	-	1 688 611	-	-	1 688 611	156 846	-	(1 531 765)	9.29	9.29
Investment Property	2 200 000	-	2 200 000	-	-	2 200 000	2 200 000	-	-	100.00	100.00
Heritage Assets	-	-	-	-	-	-	90 000	-	90 000	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	1 716 278	-	1 716 278	0.00	0.00
Total Assets	4 927 036 829	599 643 712	5 526 680 541	-	-	5 526 680 541	3 681 687 443	-	(1 844 993 098)	66.62	74.72
Current Liabilities											
Consumer Deposits	-	-	-	-	-	-	1 478 289	-	1 478 289	0.00	0.00
Provisions	-	-	-	-	-	-	1 803 206	-	1 803 206	0.00	0.00
Payables from Exchange Transactions	145 795 000	291 249 087	437 044 087	-	-	437 044 087	179 381 489	-	(257 662 598)	41.04	123.04
Payables from Non-exchange Transactions	-	-	-	-	-	-	85 124 049	-	85 124 049	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	195 302 702	-	195 302 702	0.00	0.00
Current Portion of Long-term Liabilities	238 813	-	238 813	-	-	238 813	874 376	-	635 563	366.13	366.13
Non-Current Liabilities											
Long-term Liabilities	70 000	-	70 000	-	-	70 000	638 202	-	568 202	911.72	911.72
Retirement Benefit Liabilities	-	-	-	-	-	-	8 117 136	-	8 117 136	0.00	0.00
Total Liabilities	146 103 813	291 249 087	437 352 900	-	-	437 352 900	472 719 449	-	35 366 549	108.09	323.55
Total Assets and Liabilities	4 780 933 016	308 394 625	5 089 327 641	-	-	5 089 327 641	3 208 967 994	-	(1 880 359 647)	63.05	67.12
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	4 780 933 016	308 394 625	5 089 327 641	-	-	5 089 327 641	3 140 638 068	-	(1 948 689 573)	61.71	65.69
Total Net Assets	4 780 933 016	308 394 625	5 089 327 641	-	-	5 089 327 641	3 208 967 994	-	(1 880 359 647)	63.05	67.12

30 June 2013

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Income for Agency Services	-	-	-	-	-	-	63 894	-	63 894	0.00	0.00
Government Grants and Subsidies Received	1 180 383 259	373 175 972	1 553 559 231	-	-	1 553 559 231	813 761 339	-	(739 797 892)	52.38	68.94
Revenue from Exchange Transactions											
Service Charges	126 500 000	90 000 000	216 500 000	-	-	216 500 000	127 871 676	-	(88 628 324)	59.06	101.08
Rental of Facilities and Equipment	35 000	-	35 000	-	-	35 000	17 132	-	(17 868)	48.95	48.95
Interest Earned - External Investments	12 000 000	2 245 000	14 245 000	-	-	14 245 000	21 490 534	-	7 245 534	150.86	179.09
Interest Earned - Outstanding Debtors	-	18 000 000	18 000 000	-	-	18 000 000	24 458 462	-	6 458 462	135.88	0.00
Other Income	113 750 000	(15 233 078)	98 516 922	-	-	98 516 922	91 062 473	-	(7 454 449)	92.43	80.05
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	-	-	-	0.00	0.00
Total Revenue	1 432 668 259	468 187 894	1 900 856 153	-	-	1 900 856 153	1 083 036 698	-	(817 819 455)	56.98	75.60
Expenditure											
Employee Related Costs	256 987 820	(18 308 424)	238 679 396	-	-	238 679 396	227 482 673	-	(11 196 723)	95.31	88.52
Remuneration of Councillors	-	-	-	-	-	-	11 498 076	11 498 076	11 498 076	0.00	0.00
Depreciation and Amortisation	160 000 000	30 000 000	190 000 000	-	-	190 000 000	136 140 349	-	(53 859 651)	71.65	85.09
Impairment Losses	30 000 000	87 000 000	117 000 000	-	-	117 000 000	80 157 706	-	(36 842 294)	68.51	267.19
Repairs and Maintenance	50 342 318	13 809 687	64 152 005	-	-	64 152 005	58 037 423	-	(6 114 582)	90.47	115.29
Finance Costs	-	-	-	-	-	-	965 123	965 123	965 123	0.00	0.00
Contracted Services	28 174 527	(3 821 810)	24 352 717	-	-	24 352 717	20 102 135	-	(4 250 582)	82.55	71.35
Grants and Subsidies Paid	85 786 642	4 317 800	90 104 442	-	-	90 104 442	77 074 698	-	(13 029 744)	85.54	89.84
General Expenses	183 994 988	26 525 178	210 520 166	-	1 100 341 656	1 310 861 822	459 357 567	-	(851 504 255)	35.04	249.66
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	685 929	685 929	685 929	0.00	0.00
Total Expenditure	823 048 295	139 775 431	962 823 726	-	1 100 341 656	2 063 165 382	1 155 313 828	68 946 276	(907 851 554)	56.00	140.37
Surplus/(Deficit)	609 619 964	328 412 463	938 032 427	-	(1 100 341 656)	(162 309 229)	(72 277 130)	(68 946 276)	90 032 099	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	465 095 118	465 095 118	465 095 118	0.00	0.00
Surplus/(Deficit for the Year)	609 619 964	328 412 463	938 032 427	-	(1 100 341 656)	(162 309 229)	392 817 988	396 148 842	555 127 217	-	64.44

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	-	-	-	-	-	-	-	-	-	0.00	0.00
Grants	1 255 737 049	351 305 993	1 607 043 042	-	-	1 607 043 042	1 090 760 347	-	(516 282 695)	67.87	86.86
Service Charges	128 696 231	(18 605 310)	110 090 921	-	-	110 090 921	77 699 662	-	(32 391 259)	70.58	60.37
Interest Received	12 000 000	20 245 000	32 245 000	-	-	32 245 000	21 490 534	-	(10 754 466)	66.65	179.09
Other Receipts	-	-	-	-	-	-	(111 972 707)	-	(111 972 707)	0.00	0.00
Employee Related Costs	-	-	-	-	-	-	(226 843 229)	-	(226 843 229)	0.00	0.00
Remuneration of Councillors	-	-	-	-	-	-	(11 498 076)	-	(11 498 076)	0.00	0.00
Interest Paid	-	-	-	-	-	-	(965 123)	-	(965 123)	0.00	0.00
Suppliers Paid	(563 657 459)	(14 551 386)	(578 208 845)	-	-	(578 208 845)	(103 873 424)	474 335 421	474 335 421	0.00	0.00
Other Payments	(69 390 842)	-	(69 390 842)	-	-	(69 390 842)	(546 110 675)	-	(476 719 833)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(763 384 979)	(338 394 294)	(1 101 779 273)	-	-	(1 101 779 273)	(423 424 206)	678 355 067	678 355 067	0.00	0.00
Purchase of Biological Assets	-	-	-	-	-	-	-	-	-	0.00	0.00
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	(685 929)	-	(685 929)	0.00	0.00
Proceeds on Disposal of Biological Assets	-	-	-	-	-	-	89 078	89 078	89 078	0.00	0.00
Decreases due to Harvest / Sales of Biological Assets	-	-	-	-	-	-	668 853	668 853	668 853	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	-	-	611 777	611 777	611 777	0.00	0.00
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	214 297	214 297	214 297	0.00	0.00
Loans repaid	-	-	-	-	-	-	(627 954)	-	(627 954)	0.00	0.00
Cash and Cash Equivalents at End of the Year	-	3	3	-	-	3	(234 466 775)	1 154 274 494	(234 466 778)	0.00	0.00

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2013/14		2012/13
	R		R
Net surplus/(deficit) per the statement of financial performance	441 807 633		392 817 988
Revenue from Non-exchange Transactions			
Revenue for Agency Services	(104 015)		(63 894)
Government Grants and Subsidies Received	(204 517 640)		(98 473 198)
Revenue from Exchange Transactions			
Service Charges	118 898 966		(1 371 676)
Rental of Facilities and Equipment	5 586		17 868
Interest Earned - External Investments	(1 854 621)		(9 490 534)
Interest Earned - Outstanding Debtors	(9 006 450)		(24 458 462)
Other Revenue	89 557 028		22 687 527
Gains on Disposal of Property, Plant and Equipment	(5 709 299)		-
Expenditure			
Employee Related Costs	(1 797 473)		(29 505 147)
Remuneration of Councillors	11 310 100		11 498 076
Depreciation and Amortisation	56 133 793		(23 859 651)
Impairment Losses	(85 363 995)		50 157 706
Repairs and Maintenance	(9 026 365)		7 695 105
Finance Costs	2 343 214		965 123
Contracted Services	(2 677 083)		(8 072 392)
Grants and Subsidies Paid	(6 085 330)		(8 711 944)
General Expenses	(413 286 663)		275 362 579
Loss on Disposal of Property, Plant and Equipment	-		685 929
Net surplus/deficit per approved budget	(11 387 552)		609 619 964

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2013 and 30 June 2014 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.2 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 13.2 on Revenue from Exchange Transactions and Accounting Policy 13.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the 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*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 9.1 on Financial Assets Classification and Accounting Policy 9.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.2.3 Impairment of Financial Assets

Accounting Policy 9.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

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

The total increase in estimation of the impairment of Receivables from Exchange Transactions and that of Receivables from Non-exchange Transactions are disclosed in Notes 3 and 4 to the Annual Financial Statements.

1.2.4 Fair Value Estimations

As described in Accounting Policies 3.2, 5.2 and 7.2, the municipality subsequently measures its Buildings and Land in terms of the Revaluation Model, and its Investment Property and Biological Assets in terms of the Fair Value Model.

The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the current valuations, and more specific as follows:

- **Buildings and Land** are stated at revalued amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.
- **Investment Property** is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.
- **Biological Assets:**
The fair value less estimated point-of-sale costs used to value Biological Assets requires management to make certain assumptions which are subject to change. The current assumptions are as follows:
 - Cattle are valued at the prevailing market rates, as determined by breed, genetic merit and age, less point-of-sale costs.
 - Fruit Trees, Harvest and Vegetables are valued by way of arm's length transaction that would have been applied / prevailing in replacing the existing fruit trees, harvest and vegetables with new fruit trees, harvest and vegetables.

1.2.5 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3 and 4.2, the municipality depreciates its Property, Plant & Equipment (excluding Buildings and Land) and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

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

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.2.6 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventories

Accounting Policy 8 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 11.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Biological Assets are disclosed in Notes 2, 7, 8, 9, 10 and 11 to the Annual Financial Statements, if applicable.

1.2.7 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 11.2.2.

1.2.8 Defined Benefit Plan Liabilities

As described in Accounting Policy 15.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.2.9 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.2.10 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.3 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.5 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1.6 Standards, Amendments to Standards and Interpretations issued but not yet Effective

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

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 20 Related Party Disclosures (Revised)
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 105 Transfers between Entities under common control - issued November 2010
- GRAP 106 Transfers between Entities not under common control - issued November 2010
- GRAP 107 Mergers - issued November 2010
- GRAP 108 Statutory Receivables

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- GRAP 20 Related Party Disclosures (Revised)

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. NET ASSETS

Included in the Net Assets of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Reserves

2.1.1 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the Revaluation Reserve to the Accumulated Surplus/(Deficit). On disposal, the net revaluation surplus is transferred to the Accumulated Surplus/(Deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

2.2 Accumulated Surplus

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

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

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, 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.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

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

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

3.2 Subsequent Measurement

Property, Plant and Equipment, excluding Buildings and Land

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 municipality 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.

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Buildings and Land

Subsequent to initial recognition Buildings and Land are carried at a revalued amount based on municipal valuations, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by external independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the Statement of Financial Position date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

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

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Where items of Buildings and Land 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.

When revalued assets are sold or retired the amounts included in the Revaluation Reserve in respect of that assets are transferred to the Statement of Changes in Net Assets.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

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. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Buildings			Other	
	Improvements	10 - 30		Bins and Containers	5 - 15
	Infrastructure			Computer Equipment	5 - 10
	Electricity	5 - 30		Emergency Equipment	5 - 10
	Roads and Paving	10 - 80		Furniture and Fittings	5 - 15
	Sanitation	7 - 55		Motor Vehicles	7 - 15
	Sewerage	7 - 100		Office Equipment	5 - 15
	Water	50		Plant and Equipment	5 - 15
	Community			Specialist Vehicles	10 - 20
	Community Facilities	15 - 30		Other Assets	25 - 30
	Recreational Facilities	15 - 30			

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.7 Leased Assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality 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.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

3.8 Derecognition

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.

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.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. INTANGIBLE ASSETS

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

4.1 Initial Recognition

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.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is 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:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are available; and
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

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 available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 or GRAP 26.

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.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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.

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. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	5			

Intangible Assets are annually tested for impairment as described in Accounting Policy 8 on Impairment of Assets, 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. The impairment loss is the difference between the carrying amount and the recoverable service amount.

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.

4.3 Derecognition

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 proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

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

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

The cost of self-constructed Investment Property is the cost at date of completion.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) 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 operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

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:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) 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;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

5.2 Subsequent Measurement

Investment Property is measured using the *Fair Value Model*. Investment Property is carried at fair value, representing open market value determined by external valuers at the date of the last general valuation. Fair value is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset, if necessary. A gain or loss arising from a change in the fair value of Investment Property is included in the Statement of Financial Performance for the period in which it arises.

If the municipality determines that the fair value of an Investment Property under construction is not reliably measurable but expects the fair value to be reliably measurable when construction is completed, it measures that Investment Property at cost until the fair value can be reliably determined or construction has been completed.

Where the municipality has determined that the fair value of an Investment Property (other than Investment Property under construction) is not determinable on a continuing basis, the municipality measures that Investment Property using the cost model (as per the Accounting Policy for Property, Plant and Equipment).

5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

6. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

6.1 Initial Recognition

The cost of an item of Heritage Assets 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.

Heritage Assets 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 Heritage Assets 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.

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.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

6.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality 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.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

6.3 Derecognition

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

6.4 Transitional Provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

7. BIOLOGICAL ASSETS

The municipality changed its Accounting Policy from GRAP 101 to GRAP 27 with no effect on the financial information previously disclosed.

A Biological Asset is defined as a living animal or plant. Agricultural Produce is the harvested product of the municipality's Biological Assets.

7.1 Initial Recognition

The cost of an item of Biological Assets 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.

Biological Assets are initially recognised at fair value less cost to sell on its acquisition date. The fair value of an item of Biological Assets is the transaction price or the market price.

Agricultural Produce is initially recognised at fair value less costs to sell at the date of the harvest. The municipality applies the measurement methods as described in Accounting Policy 11 on Inventories.

7.2 Subsequent Measurement

Subsequently all Biological Assets are measured at fair value less cost to sell on the reporting date. The fair value of an item of Biological Assets is the transaction price or the market price.

A gain or loss arising from the initial recognition of an item of Biological Assets at fair value less cost to sell and from a change in fair value at the reporting date shall be recognised in the Statement of Financial Performance.

A gain or loss arising from the initial recognition of an item of Agricultural Harvest at fair value less estimate point of sale cost at the date of the harvest shall be recognised in the Statement of Financial Performance.

7.3 Derecognition

The carrying amount of an item of Biological Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Biological Assets is included in the Statement of Financial Performance when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (at fair value) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Biological Assets.

7.4 Transitional Provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Biological Assets.

8. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

8.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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.

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. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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 pro rata on the basis of the carrying amount of each asset in the unit.

The 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.

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.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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 non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its 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.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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 pro rata on the basis of the carrying amount of each asset in the unit.

The 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.

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.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

9.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.
- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which 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 and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

9.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at Fair Value;
- (ii) Financial Liabilities measured at Amortised Cost; or
- (iii) Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

9.3 Initial and Subsequent Measurement

9.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

9.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

9.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value plus transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

9.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

9.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

10. INVESTMENT IN JOINT VENTURES

A Joint Venture is a contractual arrangement whereby the municipality and the other parties undertake an economic activity that is subject to joint control. Interests in jointly controlled entities are stated at cost.

11. INVENTORIES

11.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

11.2 Subsequent Measurement

11.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the *First-in-First-out Method* for cost of commodities.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

11.2.2 Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *First-in-First-out Method*, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

11.2.3 Other Inventories

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 and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

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

12. NON-CURRENT ASSETS HELD-FOR-SALE

12.1 Initial Recognition

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

12.2 Subsequent Measurement

Non-current Assets and Disposal Groups classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

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

Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in the Statement of Financial Performance.

The gain or loss on the eventual sale of non-current assets held-for-sale is included in the Statement of Financial Performance as gain or loss on sale of assets. The gain or loss on the eventual sale of non-current assets held-for-sale is calculated on the difference between the net disposal proceeds and the carrying amount of the individual asset or the disposal group.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13. REVENUE RECOGNITION

13.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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.

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

13.2 Revenue from Exchange Transactions

13.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being 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. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

13.2.2 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a *Straight-line Basis* over the term of the lease agreement.

13.2.3 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13.2.4 Tariff Charges

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

13.2.5 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

13.2.6 Sale of Goods (including Houses)

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

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

13.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

13.3.1 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions 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 are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

13.3.2 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue 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 are brought into use.

13.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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.

14. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

15. EMPLOYEE BENEFIT LIABILITIES

The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed.

15.1 Short-term Employee Benefits

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

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

15.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

15.2.1 Defined Contribution Plans

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

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

15.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

16. LEASES

16.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

16.2 The Municipality as Lessee

16.2.1 Finance Leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. 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. Lease payments are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

16.2.2 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

16.3 Determining whether an Arrangement contains a Lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

17. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

18. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

19. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, 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). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

22. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

23. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

25. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

OR TAMBO DISTRICT MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

26. RELATED PARTIES

The municipality changed its Accounting Policy from IPSAS 20 to GRAP 20 with no effect on the financial information previously

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. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

27. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

28. COMPARATIVE INFORMATION

28.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

28.2 Prior Year Comparatives

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.

28.3 Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2013 to 30 June 2014.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R
2013
R

1. GENERAL INFORMATION

OR Thambo District Municipality (the municipality) is a local government institution in Mthatha, Eastern Cape Province, and has 5 local municipalities under its jurisdiction. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Consumable Stores	36 425 933	19 170 967
Water - at cost	746 822	368 739
Total Inventories	37 172 755	19 539 706

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

The cost of water production for the year amounted to R4,48 per kilolitre (2013: R3,82 per kilolitre).

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Service Debtors:	275 612 080	232 451 681	43 160 399
Sewerage	50 020 235	42 187 149	7 833 087
Water	225 591 845	190 264 533	35 327 312
Other Receivables	117 256 669	98 894 468	18 362 202
Total Receivables from Exchange Transactions	392 868 749	331 346 149	61 522 600

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Service Debtors:	249 580 344	216 529 599	33 050 745
Sewerage	46 296 531	40 165 700	6 130 831
Water	203 283 813	176 363 898	26 919 914
Other Receivables	91 266 542	79 180 545	12 085 997
Total Receivables from Exchange Transactions	340 846 886	295 710 144	45 136 742

Other Receivables include outstanding debtors for various other services, e.g. Deposits, Interest, Rentals and Sundry Services like Dumping Fees, Impounding Fees, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Receivables.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2014, the municipality is owed R13 124 480 (30 June 2013: R26 651 252) by National and Provincial Government.

The municipality did not pledge any of its Receivables as security for borrowing purposes.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R 2013
R

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sewerage:					
Gross Balances	2 797 261	2 562 562	6 516 004	38 144 408	50 020 235
Less: Provision for Impairment	-	-	4 042 740	38 144 408	42 187 149
Net Balances	2 797 261	2 562 562	2 473 263	-	7 833 087
Water:					
Gross Balances	8 906 955	5 880 753	10 115 357	200 688 780	225 591 845
Less: Provision for Impairment	-	-	-	190 264 533	190 264 533
Net Balances	8 906 955	5 880 753	10 115 357	10 424 247	35 327 312
Other Receivables:					
Gross Balances	1 358 813	1 153 163	910 623	113 834 070	117 256 669
Less: Provision for Impairment	-	-	-	98 894 468	98 894 468
Net Balances	1 358 813	1 153 163	910 623	14 939 602	18 362 202

As at 30 June Receivables of R48 459 572 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	9 596 479	17 541 984	352 667 258	379 805 721
Less: Provision for Impairment	-	4 042 740	327 303 408	331 346 149
Net Balances	9 596 479	13 499 243	25 363 849	48 459 572

As at 30 June 2013

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Sewerage:					
Gross Balances	4 455 384	1 771 542	1 948 989	38 120 616	46 296 531
Less: Provision for Impairment	-	-	-	-	-
Net Balances	4 455 384	1 771 542	1 948 989	38 120 616	46 296 531
Water:					
Gross Balances	19 563 181	7 778 679	8 557 831	167 384 122	203 283 813
Less: Provision for Impairment	-	-	-	-	-
Net Balances	19 563 181	7 778 679	8 557 831	167 384 122	203 283 813
Other Receivables:					
Gross Balances	8 783 109	3 492 325	3 842 325	75 148 783	91 266 542
Less: Provision for Impairment	-	-	-	-	-
Net Balances	8 783 109	3 492 325	3 842 325	75 148 783	91 266 542

As at 30 June Receivables of R308 045 212 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	13 042 546	14 349 145	280 653 522	308 045 212
Less: Provision for Impairment	-	-	-	-
Net Balances	13 042 546	14 349 145	280 653 522	308 045 212

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R		
3.2 Summary of Receivables from Exchange Transactions by Customer Classification				
	Household	Industrial/ Commercial		
	R	R		
		National and Provincial Government		
		R		
		Other		
		R		
As at 30 June 2014				
<i>Current:</i>				
0 - 30 days	3 166 805	5 276 065	4 620 158	-
<i>Past Due:</i>				
31 - 60 Days	5 819 122	2 023 681	1 753 676	-
61 - 90 Days	15 082 661	1 426 538	1 032 785	-
+ 90 Days	315 977 085	31 885 619	4 804 554	-
Sub-total	<u>340 045 673</u>	<u>40 611 903</u>	<u>12 211 173</u>	-
Less: Provision for Impairment	319 859 856	-	11 486 293	-
Total Trade Receivables by Customer Classification	<u>20 185 817</u>	<u>40 611 903</u>	<u>724 881</u>	-
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2013				
<i>Current:</i>				
0 - 30 days	26 324 215	2 332 339	4 145 119	-
<i>Past Due:</i>				
31 - 60 Days	6 817 922	2 135 675	4 088 949	-
61 - 90 Days	7 041 130	2 121 199	5 186 815	-
+ 90 Days	234 112 852	34 223 608	12 317 061	-
Sub-total	<u>274 296 119</u>	<u>40 812 822</u>	<u>25 737 945</u>	-
Less: Provision for Impairment	270 343 120	-	25 367 024	-
Total Trade Receivables by Customer Classification	<u>3 952 999</u>	<u>40 812 822</u>	<u>370 921</u>	-
			2014 R	2013 R

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	295 710 144	222 278 012
Impairment Losses recognised	35 636 005	73 636 005
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	(203 873)
Balance at end of year	<u>331 346 149</u>	<u>295 710 144</u>

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
	Gross Balances R	Provision for Impairment R
		Net Balances R
As at 30 June 2014		
Payments made in Advance	47 765 548	-
Grant Expenditure	82 961 653	82 961 653
Short-term Loans	54 945	-
Sundry Debtors	4 399 705	-
Suspense Accounts	7 402 675	730 099
Total Receivables from Non-exchange Transactions	142 584 526	83 691 752
	Gross Balances R	Provision for Impairment R
		Net Balances R
As at 30 June 2013		
Payments made in Advance	165 264 348	-
Grant Expenditure	82 961 653	82 961 653
Short-term Loans	57 685	-
Sundry Debtors	2 988 615	-
Suspense Accounts	6 957 899	730 099
Total Receivables from Non-exchange Transactions	258 230 200	83 691 752

Included in **Payments made in Advance** for 2013 is an amount of R162 186 348 which is in respect of the purchase of steel coils from Metal Steel. The fabrication and testing of the steel pipes from the coils will be performed from the month of October 2013 to January 2014. The delivery will also be done on site accordingly. This amount was paid to Amathola Water under the KSD Presidential Intervention Project.

Short-term Loans mainly comprise temporary advances made to local municipalities which are repayable within 12 months.

Sundry Deposits are in respect of cash deposits made to Caltex for the supply of fuel and uMgungundlovu District Municipality for the supply of water.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2014

	Current	Past Due			Total
	0 - 30 days	31 - 60 Days	61 - 90 Days	+ 90 Days	
Payments made in Advance:					
Gross Balances	47 765 548	-	-	-	47 765 548
Less: Provision for Impairment	-	-	-	-	-
Net Balances	47 765 548	-	-	-	47 765 548
Grant Expenditure:					
Gross Balances	82 961 653	-	-	-	82 961 653
Less: Provision for Impairment	82 961 653	-	-	-	82 961 653
Net Balances	-	-	-	-	-
Short-term Loans:					
Gross Balances	54 945	-	-	-	54 945
Less: Provision for Impairment	-	-	-	-	-
Net Balances	54 945	-	-	-	54 945
Sundry Debtors:					
Gross Balances	4 399 705	-	-	-	4 399 705
Less: Provision for Impairment	-	-	-	-	-
Net Balances	4 399 705	-	-	-	4 399 705
Suspense Accounts:					
Gross Balances	7 402 675	-	-	-	7 402 675
Less: Provision for Impairment	730 099	-	-	-	730 099
Net Balances	6 672 576	-	-	-	6 672 576

As at 30 June Receivables of R0 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	-	-	-	-
Less: Provision for Impairment	-	-	-	-
Net Balances	-	-	-	-

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R			2013 R	
As at 30 June 2013					
	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Payments made in Advance:					
Gross Balances	165 264 348	-	-	-	165 264 348
Less: Provision for Impairment	-	-	-	-	-
Net Balances	165 264 348	-	-	-	165 264 348
Accruals:					
Gross Balances	82 961 653	-	-	-	82 961 653
Less: Provision for Impairment	82 961 653	-	-	-	82 961 653
Net Balances	-	-	-	-	-
Short-term Loans:					
Gross Balances	57 685	-	-	-	57 685
Less: Provision for Impairment	-	-	-	-	-
Net Balances	57 685	-	-	-	57 685
Sundry Debtors:					
Gross Balances	2 988 615	-	-	-	2 988 615
Less: Provision for Impairment	-	-	-	-	-
Net Balances	2 988 615	-	-	-	2 988 615
Suspense Accounts:					
Gross Balances	6 957 899	-	-	-	6 957 899
Less: Provision for Impairment	730 099	-	-	-	730 099
Net Balances	6 227 800	-	-	-	6 227 800

As at 30 June Receivables of R0 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	-	-	-	-
Less: Provision for Impairment	-	-	-	-
Net Balances	-	-	-	-
			2014	2013
			R	R

4.2 Reconciliation of Provision for Impairment

Balance at beginning of year	83 691 752	77 170 051
Impairment Losses recognised	-	6 521 701
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Balance at end of year	83 691 752	83 691 752

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

In determining the recoverability of Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

The following Loans and Receivables are included in the total amount of the Provision for Impairment:

Government Subsidy Claims	82 961 653	82 961 653
Sundry Debtors	730 099	730 099
Total Provision for Impairment on Receivables from Non-exchange Transactions	83 691 752	83 691 752

5. VAT RECEIVABLE

Vat Receivable	52 726 545	72 903 976
----------------	-------------------	-------------------

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

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

6. CASH AND CASH EQUIVALENTS

Current Investments	142 579 981	181 839 169
Bank Accounts	61 675 089	11 244 822
Total Bank, Cash and Cash Equivalents	204 255 070	193 083 992

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

6.1 Current Investment Deposits

Call Deposits	142 579 981	181 839 169
Total Current Investment Deposits	142 579 981	181 839 169

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 4,50 % to 5,00 % (2013: 4,40% to 4,50%) per annum.

Deposits attributable to Unspent Conditional Grants	25 589 557	181 839 169
Deposits attributable to Creditors	116 990 424	-
Deposits attributable to Current Provisions	-	-
Deposits attributable to Consumer Deposits	-	-
Deposits attributable to Long-service Awards	-	-
Deposits attributable to Provision for Impairment	-	-
Deposits available for Operations	-	-
Total Deposits attributable to Commitments of the Municipality	142 579 981	181 839 169

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
6.2 Bank Accounts		
Cash in Bank	61 675 089	11 244 822
Total Bank Accounts	61 675 089	11 244 822

The Municipality has the following bank accounts:

Primary Bank Account

First National Bank - York Road Branch, Mthatha - Account Number 539 9013 7772:

Cash book balance at beginning of year	11 244 822	25 039 960
Cash book balance at end of year	61 675 089	11 244 822
Bank statement balance at beginning of year	244 251 261	46 066 804
Bank statement balance at end of year	150 891 137	244 251 261

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.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2014

Reconciliation of Carrying Value

Description	Land	Buildings	Infra- structure	Other	Leased Infra- structure	Total
	R	R	R	R	R	R
Carrying values at 01 July 2013	35 750 001	128 081 110	2 940 032 236	57 344 000	1 269 968	3 160 241 025
Cost	39 404 387	132 794 444	4 626 288 640	79 371 901	2 236 291	4 877 859 372
- Completed Assets	39 404 387	131 199 583	4 028 703 076	79 371 901	2 236 291	4 280 915 237
- Under Construction	-	1 594 861	597 585 564	-	-	599 180 425
Correction of error (Note 40)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	(3 654 386)	-	(0)	-	-	(3 654 386)
Accumulated Depreciation:	-	(4 713 334)	(1 686 256 404)	(22 027 900)	(966 323)	(1 713 963 961)
- Cost	-	(4 713 334)	(1 686 256 404)	(22 027 900)	(966 323)	(1 713 963 961)
- Revaluation	-	-	-	-	-	-
Acquisitions	-	-	100 717 668	8 884 949	-	109 602 617
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	-	493 981 678	-	-	493 981 678
- Cost	-	-	493 981 678	-	-	493 981 678
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	-	-	(205 809 412)	(10 814 967)	-	(216 624 379)
- Based on Cost	-	-	(205 809 412)	(10 814 967)	-	(216 624 379)
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-
- Cost	-	-	(10 057 016)	-	-	(10 057 016)
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	10 057 016	-	-	10 057 016
- Based on Cost	-	-	10 057 016	-	-	10 057 016
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	-	(145 531 720)	-	-	(145 531 720)
Other Movements	-	-	145 531 720	-	-	145 531 720
- Cost	-	-	145 531 720	-	-	145 531 720
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Carrying values at 30 June 2014	35 750 001	128 081 110	3 328 922 170	55 413 983	1 269 968	3 549 437 231
Cost	39 404 387	132 794 444	5 210 930 970	88 256 850	2 236 291	5 473 622 941
- Completed Assets	39 404 387	131 199 583	4 264 895 448	88 256 850	2 236 291	4 525 992 559
- Under Construction	-	1 594 861	946 035 522	-	-	947 630 383
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	(3 654 386)	-	(0)	-	-	(3 654 386)
Accumulated Depreciation:	-	(4 713 334)	(1 882 008 800)	(32 842 867)	(966 323)	(1 920 531 324)
- Cost	-	(4 713 334)	(1 882 008 800)	(32 842 867)	(966 323)	(1 920 531 324)
- Revaluation	-	-	-	-	-	-

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2013

Reconciliation of Carrying Value

Description	Land	Buildings	Infra- structure	Other	Leased Infra- structure	Total
	R	R	R	R	R	R
Carrying values at 01 July 2012	35 750 001	128 842 916	2 646 768 620	61 521 694	1 992 165	2 874 875 396
Cost	39 404 387	131 199 583	4 225 063 518	58 879 678	2 124 291	4 456 671 456
- Completed Assets	39 404 387	131 199 583	3 987 861 189	58 879 678	2 124 291	4 219 469 128
- Under Construction	-	-	237 202 328	-	-	237 202 328
Correction of error (Note 40)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	(3 654 386)	-	(0)	-	-	(3 654 386)
Accumulated Depreciation:	-	(2 356 667)	(1 578 294 898)	2 642 016	(132 125)	(1 578 141 674)
- Cost	-	(2 356 667)	(1 578 294 898)	2 642 016	(132 125)	(1 578 141 674)
- Revaluation	-	-	-	-	-	-
Acquisitions	-	-	-	20 492 223	112 000	20 604 223
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	1 594 861	401 225 122	-	-	402 819 983
- Cost	-	1 594 861	401 225 122	-	-	402 819 983
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	-	(2 356 667)	(107 961 506)	(24 669 917)	(834 198)	(135 822 287)
- Based on Cost	-	(2 356 667)	(107 961 506)	(24 669 917)	(834 198)	(135 822 287)
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	-	(40 841 887)	-	-	(40 841 887)
Other Movements	-	-	40 841 887	-	-	40 841 887
- Cost	-	-	40 841 887	-	-	40 841 887
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Carrying values at 30 June 2013	35 750 001	128 081 110	2 940 032 236	57 344 000	1 269 968	3 162 477 315
Cost	39 404 387	132 794 444	4 626 288 640	79 371 901	2 236 291	4 880 095 662
- Completed Assets	39 404 387	131 199 583	4 028 703 076	79 371 901	2 236 291	4 280 915 237
- Under Construction	-	1 594 861	597 585 564	-	-	599 180 425
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	(3 654 386)	-	(0)	-	-	(3 654 386)
Accumulated Depreciation:	-	(4 713 334)	(1 686 256 404)	(22 027 900)	(966 323)	(1 713 963 961)
- Cost	-	(4 713 334)	(1 686 256 404)	(22 027 900)	(966 323)	(1 713 963 961)
- Revaluation	-	-	-	-	-	-

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

Other movements of Property, Plant and Equipment are in respect of Work-in-Progress completed and transferred to Cost.

The leased Property, Plant and Equipment is secured as set out in Note 18.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

7.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

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

7.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

7.3 Assets pledged as security

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

The municipality's obligations under Finance Leases (see Note 18) are secured by the lessors' title to the leased assets. No other assets of the municipality have been pledged as security.

7.4 Impairment of Property, Plant and Equipment

No impairment losses have been recognised on Property, Plant and Equipment of the municipality at the reporting date.

7.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

There was no change (2012/13: R0) in the estimated useful life of various assets of the municipality for the financial year.

7.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the revaluation model and revalued every 5 years. No revaluations were performed in the current and prior years.

The revaluation surplus was credited to the Revaluation Reserve in Net Assets.

7.7 Revaluation Surplus

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

The Revaluation Surplus is reconciled as follows:

Balance at beginning of year	68 329 926	68 329 926
Surplus / (Deficit) realised from Revaluation	-	-
Transfers and Disposals	-	-
Depreciation offset to Income Statement	-	-
Balance at end of year	68 329 926	68 329 926

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R	
8 INTANGIBLE ASSETS			
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>156 846</u>	<u>156 846</u>	
The movement in Intangible Assets is reconciled as follows:			
	Computer Software	Ward Based Database	Total
Carrying values at 01 July 2013	156 845	1	156 846
Cost	2 329 654	5 797 519	8 127 173
Accumulated Amortisation	(2 172 810)	(5 797 518)	(7 970 328)
Acquisitions:	-	-	-
Purchased	-	-	-
Amortisation:	-	-	-
Purchased	-	-	-
Carrying values at 30 June 2014	156 845	1	156 846
Cost	2 329 654	5 797 519	8 127 173
Accumulated Amortisation	(2 172 810)	(5 797 518)	(7 970 328)
	Computer Software	Ward Based Database	Total
Carrying values at 01 July 2012	474 906	1	474 907
Cost	2 329 654	5 797 519	8 127 173
Accumulated Amortisation	(1 854 748)	(5 797 518)	(7 652 266)
Acquisitions:	-	-	-
Purchased	-	-	-
Amortisation:	(318 061)	-	(318 061)
Purchased	(318 061)	-	(318 061)
Carrying values at 30 June 2013	156 845	1	156 846
Cost	2 329 654	5 797 519	8 127 173
Accumulated Amortisation	(2 172 810)	(5 797 518)	(7 970 328)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 30).

All of the municipality's Intangible Assets are held under freehold interests 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.

8.1 Significant Intangible Assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

- (i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R **2013**
R

8.2 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets' useful lives.

8.3 Impairment of Intangible Assets

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

9 INVESTMENT PROPERTY

At Fair Value

2 200 000 **2 200 000**

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

2 200 000 **2 200 000**

Fair Value

2 200 000	2 200 000
-----------	-----------

Accumulated Impairment Losses

-	-
---	---

Acquisitions during the Year

- -

Gains from Fair Value Adjustments

- -

Impairment Losses during the Year

- -

Losses from Fair Value Adjustments

- -

Carrying values at 30 June

2 200 000 **2 200 000**

Fair Value

2 200 000	2 200 000
-----------	-----------

Accumulated Impairment

-	-
---	---

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

9.1 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
10 HERITAGE ASSETS		
At Cost less Accumulated Impairment Losses	90 000	90 000
The movement in Heritage Assets is reconciled as follows:		
	Public Statues	Total
Carrying values at 01 July 2013	90 000	90 000
Cost	90 000	90 000
Accumulated Impairment	-	-
Acquisitions	-	-
Reversal of Impairment Losses	-	-
Impairment Losses Recognised	-	-
Carrying values at 30 June 2014	90 000	90 000
Cost	90 000	90 000
Accumulated Impairment Losses	-	-
	Public Statues	Total
Carrying values at 01 July 2012	90 000	90 000
Cost	90 000	90 000
Accumulated Impairment	-	-
Acquisitions	-	-
Reversal of Impairment Losses	-	-
Impairment Losses Recognised	-	-
Carrying values at 30 June 2013	90 000	90 000
Cost	90 000	90 000
Accumulated Impairment Losses	-	-

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

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

10.1 Impairment of Heritage Assets

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

10.2 Heritage Assets measured after recognition using the Revaluation Model

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

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
11 BIOLOGICAL ASSETS		
At Fair Value	<u>16 101 221</u>	<u>9 844 140</u>

The municipality's Biological Assets consist of a Plantation of Fruit Trees, Cattle and Agricultural Produce.

The movement in Biological Assets is reconciled as follows:

	Agricultural Produce	Trees in Plantation	Cattle	Total
Carrying values at 01 July 2013	-	3 981 600	5 862 540	9 844 140
Cost / Fair Value	-	3 981 600	5 862 540	9 844 140
Acquisitions during the Year	-	-	-	-
Acquisitions through Non-exchange Transactions	-	2 789 150	611 714	3 400 864
Gains from Changes in Fair Value	-	2 901 750	14 237	2 915 987
Decreases due to Harvest / Sales	-	-	(808 306)	(808 306)
Disposals during the Year:	-	-	(92 336)	(92 336)
At Cost / Fair Value	-	-	(92 336)	(92 336)
Distributions at Zero Value during the Year:	-	-	-	-
At Cost / Fair Value	-	-	-	-
Losses from Changes in Fair Value	-	-	(525 754)	(525 754)
Transfers during the Year:	-	-	1 366 625	1 366 625
At Cost / Fair Value	-	-	1 366 625	1 366 625
Carrying values at 30 June 2014	-	9 672 500	6 428 721	16 101 221
Cost / Fair Value	-	9 672 500	6 428 721	16 101 221
	Agricultural Produce	Trees in Plantation	Cattle	Total
Carrying values at 01 July 2012	1 549 452	7 896 000	3 099 394	12 544 846
Cost / Fair Value	1 549 452	7 896 000	3 099 394	12 544 846
Acquisitions during the Year	-	-	-	-
Acquisitions through Non-exchange Transactions	-	-	147 377	147 377
Gains from Changes in Fair Value	-	-	4 163 813	4 163 813
Decreases due to Harvest / Sales	-	-	(668 853)	(668 853)
Disposals during the Year:	-	-	(89 078)	(89 078)
At Cost / Fair Value	-	-	(89 078)	(89 078)
Distributions at Zero Value during the Year:	-	-	-	-
At Cost / Fair Value	-	-	-	-
Losses from Changes in Fair Value	(1 549 452)	(3 914 400)	(104 481)	(5 568 333)
Transfers during the Year:	-	-	(685 631)	(685 631)
At Cost / Fair Value	-	-	(685 631)	(685 631)
Carrying values at 30 June 2013	-	3 981 600	5 862 540	9 844 140
Cost / Fair Value	-	3 981 600	5 862 540	9 844 140

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

No restrictions apply to any of the Biological Assets of the municipality.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R **2013**
R

Fruit Trees in Plantation and livestock classified as Bearer Biological Assets at carrying value are made up as follows:

	Actual Count			
	2014	2013		
Trees in Plantation	19 345	11 376	9 672 500	3 981 600
Cattle	1 139	997	6 428 721	5 862 540
Total gain / (loss) on initial recognition	20 484	12 373	16 101 221	9 844 140

Bearer Biological Assets are those biological assets that are used repeatedly or continuously for more than one year in an agricultural activity.

At 30 June 2014 livestock held for sale comprised 1 139 cattle (2013: 997 cattle). During the year the municipality sold 18 cattle (2013: 26 cattle).

11.1 Biological Assets carried at Fair Value

The municipality's Biological Assets is valued annually at 30 June at fair value by an independent, professionally qualified, valuer. The valuation, which conforms to International Valuation Standards, is arrived at by reference to market evidence of transaction prices for similar assets.

12 LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Other Loans	117 285	-	117 285
	117 285	-	117 285
Less: Current Portion transferred to Current Receivables:-			-
Other Loans			-
Total Long-term Receivables			117 285
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2013			
Other Loans	1 716 278	-	1 716 278
	1 716 278	-	1 716 278
Less: Current Portion transferred to Current Receivables:-			-
Other Loans			-
Total Long-term Receivables			1 716 278

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
12.1 Ageing of Long-term Receivables		
<i>Current:</i>		
0 - 30 days	-	-
<i>Past Due:</i>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	117 285	1 716 278
Total	117 285	1 716 278

As at 30 June Long-term Receivables of R117 285 (2013: R1 716 278) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
+ 120 Days	117 285	1 716 278
Total	117 285	1 716 278

13 CONSUMER DEPOSITS

Electricity and Water	1 672 042	1 478 289
Total Consumer Deposits	1 672 042	1 478 289

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid or accrued on Consumer Deposits held.

14 PROVISIONS

Current Portion of Long-term Service Liability (See Note 19)	1 335 242	1 803 206
Total Provisions	1 335 242	1 803 206

The movement in provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

	Long-term Service R	Post-retirement R
30 June 2014		
Balance at beginning of year	1 803 206	-
Transfer from non-current	1 335 241	-
Expenditure incurred	(1 803 205)	-
Balance at end of year	1 335 242	-
30 June 2013		
Balance at beginning of year	1 359 123	-
Transfer from non-current	1 803 206	-
Expenditure incurred	(1 359 123)	-
Balance at end of year	1 803 206	-

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
15 PAYABLES FROM EXCHANGE TRANSACTIONS		
Payments Received in Advance	4 836 750	3 655 293
Trade Creditors	271 734	232 994
Other Creditors	108 860 355	143 364 927
VAT Income Suspense Account	35 838 768	32 128 275
Total Payables	149 807 607	179 381 489

Included in Other Creditors is an amount of R50 272 484, which relates to Department of Water Affairs (DWA) outstanding invoices. This balance was identified subsequent to the preparation of the Annual Financial Statements in 2013 and was considered to be an adjusting subsequent event. The municipality is intending on engaging directly with DWA leadership on this matter.

The average credit period on purchases is 49 (2013: 85) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit period.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

16 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Income Received in Advance	2 250 158	2 250 158
Staff Bonuses	5 681 399	5 327 256
Staff Leave	27 823 560	23 726 411
Suspense Accounts	195 769 835	53 820 224
Total Payables	231 524 952	85 124 049

Staff Bonuses accrue to the staff of the entity on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

17.1 Conditional Grants from Government

National Government Grants	19 105 108	187 935 839
Provincial Government Grants	6 484 448	7 366 863
Total Conditional Grants and Receipts	25 589 557	195 302 702

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 23 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
18 LONG-TERM LIABILITIES		
The municipality did not have any liabilities to be classified as Long-term Liabilities in terms of its Accounting Policies and Cash Management Policy at year-end.		
Finance Lease Liabilities	1 011 904	1 512 578
Sub-total	1 011 904	1 512 578
Less: Current Portion transferred to Current Liabilities:-	428 151	874 376
Finance Lease Liabilities	428 151	874 376
Total Long-term Liabilities (Neither past due, nor impaired)	583 753	638 202

18.1 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2014 R	2013 R	2014 R	2013 R
Amounts payable under finance leases:				
Within one year	428 151	874 376	428 151	874 376
In the second to fifth years, inclusive	583 753	638 202	583 753	638 202
Over five years	-	-	-	-
	1 011 904	1 512 578	1 011 904	1 512 578
Less: Future Finance Obligations	-	-	-	-
Present Value of Minimum Lease Obligations	1 011 904	1 512 578	1 011 904	1 512 578
Less: Amounts due for settlement within 12 months (Current Portion)			428 151	874 376
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			583 753	638 202

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
19 EMPLOYEE BENEFIT LIABILITIES		
Long Service Awards Liability	11 069 741	8 117 136
Total Employee Benefit Liabilities	11 069 741	8 117 136
19.1 Long Service Awards Liability		
Balance at beginning of year	8 117 136	7 921 775
Contributions to provision	4 287 846	1 998 567
Balance at end of Year	12 404 982	9 920 342
Transfer to Current Provisions	(1 335 241)	(1 803 206)
Total Long Service Awards Liability	11 069 741	8 117 136

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Bonus Award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

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

At year end, 849 (2013: 897) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2014 is estimated to be R1 578 657, whereas the cost for the ensuing year is estimated to be R1 820 769 (30 June 2013: R1 535 903 and R1 578 657 respectively).

	2014 R	2013 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.81%	7.77%
Cost Inflation Rate	7.05%	5.77%
Net Effective Discount Rate	0.71%	2.00%
Expected Retirement Age - Females	65	63
Expected Retirement Age - Males	65	63

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

Balance at the beginning of the year	9 920 342	9 280 898
Current service costs	1 578 657	1 535 903
Interest cost	476 776	668 324
Benefits paid	(1 803 206)	(1 359 123)
Actuarial losses / (gains)	2 232 413	(205 660)
Total Recognised Benefit Liability	12 404 982	9 920 342

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

Present value of fund obligations	12 404 982	9 920 342
Unfunded Accrued Liability	12 404 982	9 920 342
Total Benefit Liability	12 404 982	9 920 342

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

Current service cost	1 578 657	1 535 903
Interest cost	476 776	668 324
Actuarial losses / (gains)	2 232 413	(205 660)
Total Post-retirement Benefit included in Employee Related Costs (Note 28)	4 287 846	1 998 567

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R	2012 R	2011 R	2010 R
The history of experienced adjustments is as follows:					
	2014 R	2013 R	2012 R	2011 R	2010 R
Present Value of Defined Benefit Obligation	12 404 982	9 920 342	9 280 898	8 115 545	6 076 757
Deficit	<u><u>12 404 982</u></u>	<u><u>9 920 342</u></u>	<u><u>9 280 898</u></u>	<u><u>8 115 545</u></u>	<u><u>6 076 757</u></u>
Experienced adjustments on Plan Liabilities	1 034 082	-	111 269	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

	2014 R	2013 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	-	-
Effect on the defined benefit obligation	699 976	592 937
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	-	-
Effect on the defined benefit obligation	(642 449)	(532 564)

The municipality expects to make a contribution of R2 738 013 (2013: R2 055 433) to the defined benefit plans during the next financial year.

20 RESERVES

Revaluation Reserve	68 329 926	68 329 926
Total Reserves	<u><u>68 329 926</u></u>	<u><u>68 329 926</u></u>

20.1 Revaluation Reserve

The Revaluation Reserve arises on the revaluation of Land and Buildings. Where revalued Land or Buildings are sold, the portion of the Revaluation Reserve that relates to that asset, and is effectively realised, is transferred directly to Accumulated Surplus.

Distributions from the Revaluation Reserve can be made where they are in accordance with the requirements of the municipality's accounting Policy and relevant case law. The payment of cash distributions out of the reserve is restricted by the terms of the municipality's Accounting policy. These restrictions do not apply to any amounts transferred to Accumulated Surplus. The Council do not currently intend to make any distribution from the Revaluation Reserve.

The following restrictions are placed on the distribution of the balance of the reserve:

Reconciliation of the Revaluation Reserve:

Balance at beginning of year	68 329 926	68 329 926
Increases in Revaluation	-	-
Decreases in Revaluation	-	-
Depreciation transferred to surplus	-	-
Transfer due to disposal of revalued assets	-	-
Balance at end of year	<u><u>68 329 926</u></u>	<u><u>68 329 926</u></u>

Refer to Statement of Changes in Net Assets for more detail and the movement on Reserves.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
21 ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Accumulated Surplus / (Deficit) due to the results of Operations	3 492 331 355	3 140 638 068
Total Accumulated Surplus	<u>3 492 331 355</u>	<u>3 140 638 068</u>
<i>Accumulated Surplus</i> has been restated to correctly classify amounts held by the municipality. Refer to Note 40.1 "Correction of Error" for details of the restatements.		
Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.		
22 INCOME FROM AGENCY SERVICES		
Commission	104 015	63 894
Total Income from Agency Services	<u>104 015</u>	<u>63 894</u>
23 GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	493 737 962	449 045 000
Other Subsidies	206 059 152	(89 920 687)
Operational Grants	<u>699 797 114</u>	<u>359 124 313</u>
Conditional Grants	857 310 145	919 732 144
National: EPWP	5 870 000	22 072 172
National: FMG	1 480 826	1 539 508
National: MIG	811 225 766	863 632 401
National: MSIG	890 000	1 000 503
National: Municipal Water Infrastructure Grant	14 828 751	-
National: Department Health	785 763	(294 102)
National: Department Roads and Transport	2 329 543	1 842 190
National: Department Sport and Heritage	1 010 635	1 042 552
National: Department Water Affairs (DWA)	13 000 000	28 885 008
National: Other Government Departments	5 006 448	-
Provincial: Department Economic Affairs	882 414	11 912
Total Government Grants and Subsidies	<u>1 557 107 259</u>	<u>1 278 856 457</u>
23.1 Calculation of Cash Flow:		
Government Grants and Subsidies Income	1 557 107 259	1 278 856 457
Opening Balance of Unspent Government Grants	(195 302 702)	(383 398 812)
Closing Balance of Unspent Government Grants	25 589 557	195 302 702
Total Receipts for Government Grants and Subsidies	<u>1 387 394 114</u>	<u>1 090 760 347</u>
Operational Grants:		
23.2 National: Equitable Share	<u>493 737 962</u>	<u>449 045 000</u>

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Conditional Grants:		
23.3 National: EPWP Grant		
Balance unspent at beginning of year	-	7 332 679
Current year receipts	5 870 000	9 139 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(5 870 000)	(22 072 172)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	5 600 493
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>-</u>	<u>-</u>
23.4 National: FMG Grant		
Balance unspent at beginning of year	0	(0)
Current year receipts	1 500 000	1 500 000
Interest allocated	-	7 928
Conditions met - transferred to Revenue: Operating Expenses	(1 480 826)	(1 539 508)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	31 580
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>19 174</u>	<u>0</u>
23.5 National: MIG Funds		
Balance unspent at beginning of year	163 091 766	344 042 167
Current year receipts	648 134 000	682 682 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(811 225 766)	(398 578 760)
Conditions met - transferred to Revenue: Capital Expenses	-	(465 053 641)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>-</u>	<u>163 091 766</u>
23.6 National: MSIG Funds		
Balance unspent at beginning of year	(0)	(0)
Current year receipts	890 000	1 000 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(890 000)	(1 000 503)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	503
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>(0)</u>	<u>(0)</u>
23.7 National: Municipal Water Infrastructure Grant (MWIG)		
Balance unspent at beginning of year	-	-
Current year receipts	14 886 000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(14 828 751)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>57 249</u>	<u>-</u>
23.8 National: Department Cooperative Government and Traditional Affairs (COGTA)		
Balance unspent at beginning of year	4 413 212	4 413 212
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>4 413 212</u>	<u>4 413 212</u>

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
23.9 National: Department Health		
Balance unspent at beginning of year	3 263 197	2 981 267
Current year receipts	-	-
Interest allocated	-	(12 172)
Conditions met - transferred to Revenue: Operating Expenses	(785 763)	335 579
Conditions met - transferred to Revenue: Capital Expenses	-	(41 477)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>2 477 433</u>	<u>3 263 197</u>
23.10 National: Department Minerals and Energy		
Balance unspent at beginning of year	150 000	150 000
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>150 000</u>	<u>150 000</u>
23.11 National: Department Roads and Transport		
Balance unspent at beginning of year	969 814	1 036 003
Current year receipts	2 290 000	1 776 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(2 329 543)	(1 842 190)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>930 271</u>	<u>969 814</u>
23.12 National: Department Sport and Heritage		
Balance unspent at beginning of year	5 293 306	5 308 858
Current year receipts	1 027 000	1 027 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(1 010 635)	(1 042 552)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>5 309 671</u>	<u>5 293 306</u>
23.13 National: Department Water Affairs (DWA)		
Balance unspent at beginning of year	(0)	(0)
Current year receipts	13 000 000	27 944 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(13 000 000)	(28 885 008)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	941 008
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>(0)</u>	<u>(0)</u>
23.14 National: Other Government Departments		
Balance unspent at beginning of year	10 754 546	10 755 600
Current year receipts	-	-
Interest allocated	-	(8 982)
Conditions met - transferred to Revenue: Operating Expenses	(5 006 448)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	7 928
Conditions still to be met - transferred to Liabilities (see Note 17)	<u>5 748 098</u>	<u>10 754 546</u>

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
23.15 Provincial: Department Economic Affairs		
Balance unspent at beginning of year	1 860 763	1 872 675
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(882 414)	(11 912)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	978 349	1 860 763

23.16 Provincial: Department Human Settlements		
Balance unspent at beginning of year	2 150 887	2 151 139
Current year receipts	-	-
Interest allocated	-	(252)
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 17)	2 150 887	2 150 887

23.17 Provincial: Other Government Departments		
Balance unspent at beginning of year	3 355 212	3 355 212
Current year receipts	-	-
Interest allocated	-	9
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Adjustments/Refunds	-	(9)
Conditions still to be met - transferred to Liabilities (see Note 17)	3 355 212	3 355 212

23.18 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2014), government grant funding is expected to increase over the forthcoming three financial years.

24 SERVICE CHARGES

Sale of Water	121 958 104	105 609 621
Sewerage and Sanitation Charges	25 320 778	22 262 055
Other Service Charges	2 782 152	-
Total Service Charges	150 061 034	127 871 676

24.1 Calculation of Cash Flow:

Service Charges Income	150 061 034	127 871 676
Opening Balance of Debtors: Service Charges	340 846 886	290 878 745
Closing Balance of Debtors: Service Charges	(392 868 749)	(340 846 886)
Amounts written-off as uncollectable	-	(203 873)
Total Receipts for Service Charges	98 039 171	77 699 662

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

25 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Halls	29 414	17 132
Total Rental of Facilities and Equipment	29 414	17 132

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013	
	R	R	
26 INTEREST EARNED			
External Investments:			
Bank Account	8 287 344	2 791 046	
Investments	10 767 277	18 699 488	
	<u>19 054 621</u>	<u>21 490 534</u>	
Outstanding Debtors:			
Outstanding Billing Debtors	28 006 450	24 458 462	
	<u>28 006 450</u>	<u>24 458 462</u>	
Total Interest Earned	<u>47 061 071</u>	<u>45 948 996</u>	
26.1 Calculation of Cash Flow:			
External Interest Income	19 054 621	21 490 534	
Total Receipts for Interest Received	<u>19 054 621</u>	<u>21 490 534</u>	
Interest Earned on Financial Assets, analysed by category of asset, is as follows:			
Available-for-Sale Financial Assets	19 054 621	21 490 534	
Loans and Receivables	28 006 450	24 458 462	
	<u>47 061 071</u>	<u>45 948 996</u>	
27 OTHER REVENUE			
Farm Operations	3 255 134	-	
Tender Documents	202 971	593 071	
VAT Refund (Own Income in terms of MFMA Circular No 48)	90 470 093	89 817 184	
Sundry Income	(631 922)	652 217	
Total Other Revenue	<u>93 296 276</u>	<u>91 062 473</u>	
27.1 Calculation of Cash Flow:			
Income from Other Revenue	Note 27	93 296 276	91 062 473
Income from Interest on Outstanding Debtors	Note 26	28 006 450	24 458 462
Income from Rental of Facilities and Equipment	Note 25	29 414	17 132
Income from Agency Services	Note 22	104 015	63 894
Opening Balance of Debtors: Non-exchange Transactions	Note 4	258 230 200	82 577 809
Closing Balance of Debtors: Non-exchange Transactions	Note 4	(142 584 526)	(258 230 200)
Opening Balance of VAT Receivable	Note 5	72 903 976	20 556 507
Closing Balance of VAT Receivable	Note 5	(52 726 545)	(72 903 976)
Opening Balance of Consumer Deposits	Note 13	(1 478 289)	(1 053 097)
Closing Balance of Consumer Deposits	Note 13	1 672 042	1 478 289
Total Receipts for Other Revenue		<u>257 453 013</u>	<u>(111 972 707)</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 22 to 26, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
28 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	204 389 516	164 085 053
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	37 930 509	31 879 419
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	24 194 781	21 997 578
Overtime Payments	11 089 053	9 549 184
Defined Benefit Plan Expense:	4 287 846	(28 561)
Current Service Cost	1 578 657	177 099
Interest Cost	476 776	-
Net Actuarial (gains)/losses recognised	2 232 413	(205 660)
Total Employee Related Costs	281 891 705	227 482 673

28.1 Calculation of Cash Flow:

Employee Related Costs Expenditure	281 891 705	227 482 673
Opening Balance of Employee Benefit Liabilities	8 117 136	7 921 775
Closing Balance of Employee Benefit Liabilities	(11 069 741)	(8 117 136)
Opening Balance of Provision for Long-term Service	1 803 206	1 359 123
Closing Balance of Provision for Long-term Service	(1 335 242)	(1 803 206)
Total Payments for Employee Related Costs	279 407 064	226 843 229

No advances were made to employees.

The municipality incurred R35 908 525 in 2013 of salary related expenditure which was directly financed through grant income.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager

Annual Remuneration	1 165 430	1 109 460
Car and Other Allowances	304 173	323 377
Company Contributions to UIF, Medical and Pension Funds	51 022	38 411
Total	1 520 624	1 471 248

Remuneration of the Chief Financial Officer

Annual Remuneration	475 132	790 396
Car and Other Allowances	306 942	592 192
Company Contributions to UIF, Medical and Pension Funds	24 100	34 550
Total	806 173	1 417 138

The contract for the Chief Financial Officer expired on 30 September 2013 and the post was vacant for the period 01 October 2013 until 13 February 2014. An Acting Allowance was paid for the period.

Remuneration of the Strategic Director: Corporate Services

Annual Remuneration	284 859	898 279
Car and Other Allowances	124 153	598 108
Company Contributions to UIF, Medical and Pension Funds	15 284	37 412
Total	424 296	1 533 798

The contract for the Strategic Director: Corporate Services expired on 30 September 2013 and the post was vacant for the period 01 October 2013 until 30 June 2014.

Remuneration of the Strategic Director: Planning and Socio-economic Services

Annual Remuneration	288 126	1 130 495
Car and Other Allowances	41 191	249 048
Company Contributions to UIF, Medical and Pension Funds	11 922	36 610
Total	341 239	1 416 152

The contract for the Strategic Director: Planning and Socio-economic Services expired on 30 September 2013 and the post was vacant for the period 01 October 2013 until 30 June 2014.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Remuneration of the Director: Chief Operations Officer		
Annual Remuneration	238 590	911 792
Car and Other Allowances	116 619	467 870
Company Contributions to UIF, Medical and Pension Funds	32 919	34 603
Total	388 128	1 414 265

The contract for the Director: Chief Operations Officer expired on 30 September 2013 and the post was vacant for the period 01 October 2013 until 30 June 2014.

Remuneration of the Director: Chief of Staff

Annual Remuneration	745 909	-
Car and Other Allowances	188 224	-
Company Contributions to UIF, Medical and Pension Funds	32 492	-
Total	966 625	-

Remuneration of the Director: Community and Social Affairs

Annual Remuneration	660 711	862 692
Car and Other Allowances	134 340	283 106
Company Contributions to UIF, Medical and Pension Funds	24 712	32 671
Total	819 763	1 178 470

The contract for the Director: Community and Social Affairs expired on 30 September 2013 and the post was vacant for the period 01 October 2013 until 13 February 2014. An Acting Allowance was paid for the period.

Remuneration of the Director: Housing

Annual Remuneration	201 246	784 759
Car and Other Allowances	132 808	466 753
Company Contributions to UIF, Medical and Pension Funds	11 136	33 480
Total	345 191	1 284 992

The contract for the Director: Housing expired on 30 September 2013 and the post was vacant for the period 01 October 2013 until 30 June 2014.

Remuneration of the Director: Human Resources

Annual Remuneration	909 033	864 997
Car and Other Allowances	301 311	283 663
Company Contributions to UIF, Medical and Pension Funds	43 466	44 614
Total	1 253 811	1 193 274

Remuneration of the Director: ICT Management

Annual Remuneration	-	779 796
Car and Other Allowances	-	152 755
Company Contributions to UIF, Medical and Pension Funds	-	23 388
Total	-	955 939

The post was vacant as from 01 July 2013 until 30 June 2014.

Remuneration of the Director: Infrastructure Engineer

Annual Remuneration	210 469	618 526
Car and Other Allowances	136 551	390 881
Company Contributions to UIF, Medical and Pension Funds	11 295	14 860
Total	358 315	1 024 268

The contract for the Director: Infrastructure Engineer expired on 30 September 2013 and the post was vacant for the period 01 October 2013 until 30 June 2014.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Remuneration of the Director: Internal Audit		
Annual Remuneration	263 009	960 997
Car and Other Allowances	88 297	472 179
Company Contributions to UIF, Medical and Pension Funds	11 703	35 396
Total	363 008	1 468 571

The contract for the Director: Internal Audit expired on 30 September 2013 and the post was vacant for the period 01 October 2013 until 30 June 2014.

Remuneration of the Director: Legal Services

Annual Remuneration	230 701	840 997
Car and Other Allowances	105 639	431 795
Company Contributions to UIF, Medical and Pension Funds	11 401	33 507
Total	347 740	1 306 299

The contract for the Director: Legal Services expired on 30 September 2013 and the post was vacant for the period 01 October 2013 until 30 June 2014.

Remuneration of the Director: Office of the Executive Mayor

Annual Remuneration	217 077	790 394
Car and Other Allowances	92 716	405 173
Company Contributions to UIF, Medical and Pension Funds	11 703	32 731
Total	321 496	1 228 298

The contract for the Director: Office of the Executive Mayor expired on 30 September 2013 and the post was vacant for the period 01 October 2013 until 30 June 2014.

Remuneration of the Director: Planning and Development

Annual Remuneration	232 398	887 642
Car and Other Allowances	88 522	414 639
Company Contributions to UIF, Medical and Pension Funds	11 226	33 958
Total	332 146	1 336 240

The contract for the Director: Planning and Development expired on 30 September 2013 and the post was vacant for the period 01 October 2013 until 13 February 2014. An Acting Allowance was paid for the period.

Remuneration of the Director: Political Advisor

Annual Remuneration	325 394	1 201 227
Car and Other Allowances	234 319	27 514
Company Contributions to UIF, Medical and Pension Funds	17 204	-
Total	576 917	1 228 740

The contract for the Director: Political Advisor expired on 15 October 2013 and the post was vacant for the period 16 October 2013 until 30 June 2014.

Remuneration of the Director: Technical Services

Annual Remuneration	-	143 138
Car and Other Allowances	-	83 536
Company Contributions to UIF, Medical and Pension Funds	-	2 404
Total	-	229 078

The contract for the Director: Technical Services expired on 31 August 2012 and the post was vacant for the period 01 September 2012 until 30 June 2014. An Acting Allowance was paid for the period.

Remuneration of the Director: Water Services

Annual Remuneration	521 802	915 210
Car and Other Allowances	180 160	523 493
Company Contributions to UIF, Medical and Pension Funds	23 129	35 175
Total	725 091	1 473 878

The contract for the Director: Water Services expired on 31 August 2013 and the post was vacant for the period 01 September 2013 until 14 February 2014. An Acting Allowance was paid for the period.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
Remuneration of the Council Secretary		
Annual Remuneration	-	880 597
Car and Other Allowances	-	332 447
Company Contributions to UIF, Medical and Pension Funds	-	33 246
Total	-	1 246 290

The contract for the Council Secretary expired on 30 June 2013 and the post was vacant for the period 01 July 2013 until 30 June 2014. An Acting Allowance was paid for the period.

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	256 572	179 432
Chief Financial Officer	41 573	-
Director: Chief of Staff	65 705	-
Director: Community and Social Affairs	32 064	-
Director: Human Resources	124 128	53 655
Director: Internal Audit	-	7 175
Director: Office of the Executive Mayor	-	6 024
Director: Planning and Development	54 794	6 810
Director: Political Advisor	-	179 432
Director: Water Services	42 754	-
Total	617 590	432 530

29 REMUNERATION OF COUNCILLORS

Mayor	384 463	489 611
Deputy Mayor	105 570	-
Speaker	309 246	391 689
Chief Whip	384 891	367 196
Executive Committee Members	3 455 096	3 333 768
Councillors	3 674 488	3 261 773
Company Contributions to UIF, Medical and Pension Funds	120 228	950 261
Other Allowances (Cellular Phones, Housing, Transport, etc)	2 876 119	2 703 779
Total Councillors' Remuneration	11 310 100	11 498 076

Remuneration of Councillors:

In-kind Benefits

The Councillors occupying the position of Executive Mayor, Speaker and Mayoral Committee Members of the municipality serve in a full-time capacity. Each of these Councillors are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at less than market related rate. The Executive Mayor has use of a Council owned vehicle for official duties.

The Mayor has one full-time bodyguard and a full-time driver.

30 DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	216 624 379	135 822 287
Amortisation: Intangible Assets	-	318 061
Total Depreciation and Amortisation	216 624 379	136 140 349

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
31 IMPAIRMENT LOSSES		
31.1 Impairment Losses on Fixed Assets		
Impairment Losses Recognised:	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Impairment Losses Reversed:	-	-
Property, Plant and Equipment	-	-
Intangible Assets	-	-
	-	-
31.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	35 636 005	80 157 706
Long-term Receivables	-	-
Receivables from Exchange Transactions	35 636 005	73 636 005
Receivables from Non-exchange Transactions	-	6 521 701
Impairment Losses Reversed:	-	-
Long-term Receivables	-	-
Receivables from Exchange Transactions	-	-
Receivables from Non-exchange Transactions	-	-
	35 636 005	80 157 706
Total Impairment Losses	35 636 005	80 157 706
32 REPAIRS AND MAINTENANCE		
Land and Buildings	1 492 628	516 526
Infrastructure - Road Transport	2 905 921	-
Infrastructure - Sanitation	1 898 061	13 285 970
Infrastructure - Water	8 735 811	38 288 254
Other Assets	7 168 540	5 096 674
Intangible Assets	801 013	850 000
Total Repairs and Maintenance	23 001 974	58 037 423
33 FINANCE COSTS		
Bank Overdraft	-	-
Creditors Overdue	2 343 214	11 215
Finance Leases	-	953 907
Total Interest Paid on External Borrowings	2 343 214	965 123
33.1 Calculation of Cash Flow:		
Finance Cost Expenditure	2 343 214	965 123
Total Payments for Finance Costs	2 343 214	965 123

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
34 BULK PURCHASES		
Water	40 105 296	78 243 815
Total Bulk Purchases	40 105 296	78 243 815

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Water is purchased from the Department of Water Affairs.

35 CONTRACTED SERVICES

Professional Fees	9 682 713	8 372 997
Security Services	11 077 207	9 193 434
Waste Management	43 179	51 142
Other Contracted Services	1 396 467	2 484 563
Total Contracted Services	22 199 567	20 102 135

35.1 Calculation of Cash Flow:

Expenditure for Contracted Services	Note 35	22 199 567	20 102 135
Expenditure for Bulk Purchases	Note 34	40 105 296	78 243 815
Expenditure for Repairs and Maintenance	Note 32	23 001 974	58 037 423
Opening Balance of Payables: Exchange Transactions	Note 15	179 381 489	121 072 637
Closing Balance of Payables: Exchange Transactions	Note 15	(149 807 607)	(179 381 489)
Opening Balance of Inventories	Note 2	(19 539 706)	(13 055 172)
Closing Balance of Inventories	Note 2	37 172 755	19 539 706
Other Transfers of Assets	Note 7	1 366 625	(685 631)
Total for Suppliers Paid		133 880 393	103 873 424

36 GRANTS AND SUBSIDIES PAID

Community Projects	6 665 503	7 369 223
Free Basic Services	3 467 834	4 116 293
Local Municipalities	523 610	635 399
Municipal Entities	34 676 096	60 869 160
Social Aid	5 177 702	4 084 624
Total Grants and Subsidies	50 510 745	77 074 698

Community Projects are in respect of community cultural programs, low cost housing and catering & transport cost within the municipality's area of jurisdiction.

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Local Municipalities are in respect of assistance to municipalities in the district under control of the municipality.

Municipal Entities are in respect of assistance to entities under control of the municipality to enable the entities to fulfil their mandates.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
37 GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	653 400	193 898
Audit Fees	5 432 250	2 751 397
Bank Charges	605 610	589 755
Books, Magazines and Publications	16 955	57 900
Cleaning Material	636 312	611 873
Communication and Public Participation	5 121 305	4 412 321
Conferences and Meetings	9 166 671	7 145 479
Entertainment	884 024	2 850 057
Expenditure incurred from Grants:		
- Conditional Grants	480 886 585	258 943 051
- EPWP Grant	(5 560)	-
- Municipal Systems Improvement Grant	-	(19 035)
Farms Operations	(668 422)	740 299
Fuel and Oil	8 324 959	8 809 212
Hiring of Equipment	4 259 151	569 971
IDP Review	3 345 945	3 176 823
Insurance	1 615 318	247 696
Legal Costs	750 646	297 456
Levies: SALGA	2 198 403	1 647 974
Licence Fees	2 991 190	2 793 374
Medical Examinations	236 819	660 088
Municipal Health Services	2 104 361	2 175 672
Municipal Services:		
- Assessment Rates	1 184 273	1 081 232
- Electricity	36 193 690	28 430 248
Operational Cost of Programs	5 007 410	2 822 037
Postage and Telegrams	98 233	136 417
Printing and Stationery	2 017 539	2 701 880
Purification Chemicals	8 324 981	7 480 193
Staff Development and Wellness	439 478	477 784
Telephone Cost	4 470 410	6 075 029
Tourism Strategy	682 750	1 050 814
Training Costs	3 382 739	7 091 070
Transport Costs	9 711 526	6 790 611
Travelling and Subsistence	27 702 110	24 971 642
Uniforms and Protective Clothing	810 165	2 983 790
VIP Protection Unit	784 291	299 883
Ward Committee Management	244 289	684 613
Waste Water Management	1 345 660	1 535 630
Whip's Office	1 476 001	1 804 936
Other General Expenses	2 278 449	2 512 982
Inter-departmental Transfers	95 618 068	61 771 515
Total General Expenses	730 327 984	459 357 567

37.1 Calculation of Cash Flow:

Expenditure for General Expenses	Note 37	730 327 984	459 357 567
Expenditure for Grants and Subsidies Paid	Note 36	50 510 745	77 074 698
Opening Balance of Payables: Non-exchange Transactions	Note 16	85 124 049	94 803 065
Closing Balance of Payables: Non-exchange Transactions	Note 16	(231 524 952)	(85 124 049)
Correction of Prior Year Errors		90 114 347	(607)
Rounding Errors			1
Total for Other Payments		724 552 172	546 110 675

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
37.2 Material Losses	29 503 692	23 921 337
Distribution Losses:		
Water Losses	29 503 692	23 921 337

No other extra-ordinary expenses were incurred.

38 OTHER GAINS AND LOSSES

Gains in Fair Value of Biological Assets	2 915 987	4 311 189
Losses in Fair Value of Biological Assets	(525 754)	(5 568 333)
Net Other Gains and Losses	2 390 233	(1 257 144)

39 CHANGE IN ACCOUNTING POLICY

The municipality adopted the following Accounting Standards for the first time during the financial year 2013/14 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1:

- GRAP 25 Employee Benefits

39.1 GRAP 20 - Related Parties

The municipality opted to develop an Accounting Policy based on GRAP 20, Related Parties.

The municipality has developed Accounting Policies to fully comply with GRAP 20 (*Related Parties*). Previously the municipality used the principles set out in IPSAS 20 to account for related parties. Management has evaluated the requirements of the Standard and it was found that no adjustments need to be made.

39.2 GRAP 25 - Employee Benefits

The Accounting Standard for *Employee Benefits* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2014 in terms of GRAP 25.

The municipality has developed Accounting Policies to fully comply with GRAP 25 (*Employee Benefits*). Previously the municipality used the principles set out in IAS 19 to account for employee benefits. GRAP 25 is applied prospectively and there is no need for restatement of prior year figures as the principles in GRAP 25 and IAS 19 are similar.

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2013 and the Accumulated Surplus of prior years was not affected either.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

40 CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

40.1 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Balances published as at 30 June 2012		2 060 247 266
Correction of Error:-		
Revaluation Reserve reclassified	(68 329 926)	
Restatement of Infrastructure Assets	803 040 145	
Restatement of Other Assets	<u>(47 137 408)</u>	687 572 812
Restated Balances as at 30 June 2012		<u>2 747 820 078</u>
Transactions incurred for the Year 2012/13		332 823 068
Correction of Error:-		
Bad Debt Written-off reclassified	203 873	
Prepaid Material reclassified, Vote No 90-00-2-16-003-00	3 078 000	
Restatement of Retirement Benefit Liabilities	(319)	
Restatement of Infrastructure Assets	52 134 041	
Restatement of Biological Assets	(740 299)	
Restatement of Other Assets	5 319 623	
Rounding Errors	<u>2</u>	59 994 922
Restated Balances as at 30 June 2013		<u>3 140 638 068</u>

40.2 Reclassification of Revenue

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2012/13 Revenue	Current Year 2012/13 Revenue	Restated Amount
Income for Agency Services	-	63 894	(63 894)
Government Grants and Subsidies Received	1 271 811 194	1 278 856 457	(7 045 263)
Service Charges	127 871 676	127 871 676	-
Rental of Facilities and Equipment	17 132	17 132	-
Interest Earned - External Investments	21 490 534	21 490 534	-
Interest Earned - Outstanding Debtors	24 458 462	24 458 462	-
Other Income	91 116 207	91 062 473	53 734
Other Gains on Continued Operations	-	4 311 189	(4 311 189)
	<u>1 536 765 204</u>	<u>1 548 131 816</u>	<u>(11 366 612)</u>

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R
2013
R

Prior year amounts of items in **Revenue** included in the Statement of Financial Performance have been restated as indicated below:

	Agency Services	Government Grants	Other Income	Gains on Operations
Balance previously reported	-	1 271 811 194	91 116 207	-
Commission Received reclassified, Item No 2-65-014-00	63 894		(63 894)	
Grant Expenditure reclassified, Item No 1-65-060-00		(19 035)		
Grant Expenditure reclassified, Item No 1-65-277-00		171 080		
Capital Expenditure reclassified, Vote No 30-05-4-20-006-00		717 782		
Capital Expenditure reclassified, Vote No 30-05-4-20-008-00		179 537		
Capital Expenditure reclassified, Vote No 30-05-4-20-030-00		3 264 353		
Income reclassified, Item No 2-15-003-00			(134)	
Income reclassified, Item No 2-25-003-00			15 327	
Income reclassified, Vote No 60-20-2-65-003-00			(5 034)	
Fair Value Gains reclassified, Item No 2-65-025-00				4 311 189
Rounding Errors		(0)		
Restatement of Infrastructure Assets as per Asset Register		(8 853 898)		
Restatement of Other Assets as per Asset Register		11 585 445		
Restated Balance now reported	63 894	1 278 856 457	91 062 473	4 311 189

Property Rates:

The prior year amounts for *Property Rates* and Payables have been restated to correctly disclose the revenue for Property Rates, previously raised in error.

Rental of Facilities and Equipment:

The prior year amounts for *Rental of Facilities and Equipment* and Payables have been restated to correctly disclose the revenue for rental for halls exempted, previously raised in error.

Furthermore, the prior year amounts for *Rental of Facilities & Equipment*, Contracted Services and General Expenses have been restated to correctly disclose the revenue for rental of the plantation, expenditure previously netted off against income.

Interest Earned - External Investments:

The prior year amounts for *Interest Earned on External Investments* and Accumulated Surplus have been restated to correctly disclose the revenue for Interest Earned on investments of the Housing Development Fund in terms GRAP 1.114, previously credited directly to Net Assets.

Government Grants and Subsidies Received:

The prior year amounts for *Government Grants and Subsidies Received* and Infrastructure Assets have been restated to correctly disclose the revenue for Government Grants, expenditure for infrastructure assets previously incorrectly recorded.

Furthermore, the prior year amounts for *Government Grants and Subsidies Received* and Other Assets have been restated to correctly disclose the revenue for Government Grants, expenditure for infrastructure assets previously incorrectly recorded.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R **2013**
R

40.3 Reclassification of Expenditure

The prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2012/13 Expenditure	Current Year 2012/13 Expenditure	Restated Amount
Employee Related Costs	231 595 042	227 482 673	4 112 369
Remuneration of Councillors	13 906 369	11 498 076	2 408 293
Depreciation and Amortisation	176 514 978	136 140 349	40 374 629
Impairment Losses	95 262 793	80 157 706	15 105 087
Repairs and Maintenance	61 862 724	58 037 423	3 825 301
Finance Costs	965 123	965 123	-
Bulk Purchases	79 113 383	78 243 815	869 568
Contracted Services	9 193 434	20 102 135	(10 908 701)
Grants and Subsidies Paid	61 723 867	77 074 698	(15 350 832)
General Expenses	469 337 076	459 357 567	9 979 509
Other Losses on Continued Operations	1 257 144	5 568 333	(4 311 189)
Loss on Disposal of Property, Plant and Equipment	132 204	685 929	(553 725)
Surplus / (Deficit) for the Year	335 901 068	392 817 988	(56 916 920)
	<u>1 536 765 204</u>	<u>1 548 131 816</u>	<u>(11 366 612)</u>

Prior year amounts of items in **Expenditure** included in the Statement of Financial Performance have been restated as indicated below:

	Employee Costs	Remuneration Councillors	Depreciation & Amortisation	Impairment Losses
Balance previously reported	231 595 042	13 906 369	176 514 978	95 262 793
Income reclassified, Item No 2-25-003-00	15 327			
Village Water Committees Reclassified, Item No 1-65-259-00	18 688 998			
Volunteer Stipends Reclassified, Item No 1-65-297-00	500 054			
Working Tools Reclassified, Item No 1-65-315-00	(990 334)			
Capital Expenditure reclassified, Vote No 65-05-4-20-009-00	(208)			
Subsistence & Travelling Reclassified, Item No 1-65-089-00	(22 326 524)	(2 408 293)		
Bad Debt Written-off reclassified				(203 873)
Loss on Disposal of Assets reclassified				(4 353 567)
Rounding Errors	(1)	(0)		0
Restatement of Long-Service Allowance Expenditure	319			
Restatement of Infrastructure Assets as per Asset Register			(46 640 451)	(10 547 647)
Restatement of Other Assets as per Asset Register			6 265 822	
Restated Balance now reported	<u>227 482 673</u>	<u>11 498 076</u>	<u>136 140 349</u>	<u>80 157 706</u>

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
	Bulk Purchases	Contracted Services
		Grants & Subsidies Paid
Balance previously reported	79 113 383	9 193 434
Maintenance reclassified, Item No 1-65-298-00	(869 568)	
Professional Fees reclassified, Item No 1-65-019-00		5 843 450
Research Fees reclassified, Item No 1-65-074-00		946 481
Project Fees reclassified, Item No 1-65-155-00		98 648
Project Fees reclassified, Item No 1-65-167-00		625 923
Project Fees reclassified, Item No 1-65-174-00		293 048
Project Fees reclassified, Item No 1-65-195-00		182 773
Project Fees reclassified, Item No 1-65-218-00		76 570
Project Fees reclassified, Item No 1-65-307-00		51 142
Project Fees reclassified, Item No 1-65-317-00		1 480 867
Project Fees reclassified, Item No 1-65-318-00		1 114 799
Project Fees reclassified, Item No 1-65-325-00		195 000
Community Projects reclassified, Item No 1-65-017-00		41 289
Community Projects reclassified, Item No 1-65-028-00		49 474
Community Projects reclassified, Item No 1-65-083-00		748 792
Community Projects reclassified, Item No 1-65-084-00		294 582
Community Projects reclassified, Item No 1-65-085-00		185 062
Community Projects reclassified, Item No 1-65-086-00		495 944
Community Projects reclassified, Item No 1-65-087-00		680 730
Community Projects reclassified, Item No 1-65-099-00		57 018
Community Projects reclassified, Item No 1-65-209-00		918 530
Community Projects reclassified, Item No 1-65-213-00		234 713
Community Projects reclassified, Item No 1-65-214-00		159 244
Community Projects reclassified, Item No 1-65-236-00		65 654
Community Projects reclassified, Item No 1-65-250-00		497 156
Community Projects reclassified, Item No 1-65-268-00		25 675
Community Projects reclassified, Item No 1-65-277-00		171 080
Community Projects reclassified, Item No 1-65-279-00		47 907
Community Projects reclassified, Item No 1-65-288-00		703 722
Community Projects reclassified, Item No 1-65-305-00		558 239
Community Projects reclassified, Item No 1-65-316-00		1 215 102
Low Income Subsidy reclassified, Item No 1-65-035-00		5 024 648
Low Income Subsidy reclassified, Item No 1-65-049-00		(2 120 911)
Low Income Subsidy reclassified, Item No 1-65-263-00		1 212 555
Social Aid reclassified, Item No 1-65-005-00		146 785
Social Aid reclassified, Item No 1-65-033-00		1 703 187
Social Aid reclassified, Item No 1-65-068-00		2 234 652
Restated Balance now reported	78 243 815	20 102 135

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

			2014 R	2013 R
	Repairs & Maintenance	General Expenses	Other Losses	Losses on Disposals
Balance previously reported	61 862 724	469 337 076	1 257 144	132 204
Maintenance reclassified, Item No 1-65-298-00	869 568			
Maintenance reclassified, Item No 1-35-007-00	151 242	(151 242)		
Maintenance reclassified, Item No 1-65-247-00	850 000	(850 000)		
Maintenance reclassified, Item No 1-65-262-00	2 218 028	(2 218 028)		
Capital Expenditure reclassified, Item No 4-10-006-00	(183 560)	183 560		
Capital Expenditure reclassified, Item No 4-10-012-00	(187 777)	187 777		
Capital Expenditure reclassified, Item No 4-10-031-00	(3 205 032)	3 205 032		
Capital Expenditure reclassified, Item No 4-20-051-00	(103 273)	103 273		
Capital Expenditure reclassified, Item No 4-20-077-00	(3 594 352)	3 594 352		
Capital Expenditure reclassified, Item No 4-20-081-00	(990 324)	990 324		
Capital Expenditure reclassified, Item No 4-10-021-00	1 051 289	(1 051 289)		
Capital Expenditure reclassified, Item No 4-20-078-00	(357 016)	357 016		
Capital Expenditure reclassified, Item No 4-20-118-00	(344 093)	344 093		
Grant Expenditure reclassified, Item No 1-65-060-00		(19 035)		
Grant Expenditure reclassified, Item No 1-65-277-00		171 080		
Capital Expenditure reclassified, Vote No 30-05-4-20-006-00		717 782		
Capital Expenditure reclassified, Vote No 30-05-4-20-008-00		179 537		
Capital Expenditure reclassified, Vote No 30-05-4-20-030-00		3 264 353		
Income reclassified, Item No 2-15-003-00		(134)		
Income reclassified, Vote No 60-20-2-65-003-00		(5 034)		
Subsistence & Travelling Reclassified, Item No 1-65-089-00		24 734 817		
Village Water Committees Reclassified, Item No 1-65-259-00		(18 688 998)		
Volunteer Stipends Reclassified, Item No 1-65-297-00		(500 054)		
Working Tools Reclassified, Item No 1-65-315-00		990 334		
Capital Expenditure reclassified, Vote No 65-05-4-20-009-00		208		
Professional Fees reclassified, Item No 1-65-019-00		(5 843 450)		
Research Fees reclassified, Item No 1-65-074-00		(946 481)		
Project Fees reclassified, Item No 1-65-155-00		(98 648)		
Project Fees reclassified, Item No 1-65-167-00		(625 923)		
Project Fees reclassified, Item No 1-65-174-00		(293 048)		
Project Fees reclassified, Item No 1-65-195-00		(182 773)		
Project Fees reclassified, Item No 1-65-218-00		(76 570)		
Project Fees reclassified, Item No 1-65-307-00		(51 142)		
Project Fees reclassified, Item No 1-65-317-00		(1 480 867)		
Project Fees reclassified, Item No 1-65-318-00		(1 114 799)		
Project Fees reclassified, Item No 1-65-325-00		(195 000)		
Community Projects reclassified, Item No 1-65-017-00		(41 289)		
Community Projects reclassified, Item No 1-65-028-00		(49 474)		
Community Projects reclassified, Item No 1-65-083-00		(748 792)		
Community Projects reclassified, Item No 1-65-084-00		(294 582)		
Community Projects reclassified, Item No 1-65-085-00		(185 062)		
Community Projects reclassified, Item No 1-65-086-00		(495 944)		
Community Projects reclassified, Item No 1-65-087-00		(680 730)		
Community Projects reclassified, Item No 1-65-099-00		(57 018)		
Community Projects reclassified, Item No 1-65-209-00		(918 530)		
Community Projects reclassified, Item No 1-65-213-00		(234 713)		
Community Projects reclassified, Item No 1-65-214-00		(159 244)		
Community Projects reclassified, Item No 1-65-236-00		(65 654)		
Community Projects reclassified, Item No 1-65-250-00		(497 156)		
Community Projects reclassified, Item No 1-65-268-00		(25 675)		
Community Projects reclassified, Item No 1-65-277-00		(171 080)		
Community Projects reclassified, Item No 1-65-279-00		(47 907)		
Community Projects reclassified, Item No 1-65-288-00		(703 722)		
Community Projects reclassified, Item No 1-65-305-00		(558 239)		
Community Projects reclassified, Item No 1-65-316-00		(1 215 102)		
Low Income Subsidy reclassified, Item No 1-65-035-00		(5 024 648)		
Low Income Subsidy reclassified, Item No 1-65-049-00		2 120 911		
Low Income Subsidy reclassified, Item No 1-65-263-00		(1 212 555)		

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R		2013 R
Social Aid reclassified, Item No 1-65-005-00	(146 785)			
Social Aid reclassified, Item No 1-65-033-00	(1 703 187)			
Social Aid reclassified, Item No 1-65-068-00	(2 234 652)			
Fair Value Gains reclassified, Item No 2-65-025-00		4 311 189		
Loss on Disposal of Assets reclassified				4 353 567
Restatement of Biological Assets as per Asset Register	740 299			
Restatement of Infrastructure Assets as per Asset Register				(3 799 842)
Restated Balance now reported	58 037 423	459 357 567	5 568 333	685 929

Employee Related Costs:

The prior year amounts for *Employee Related Costs* and Payables have been restated to correctly disclose the expenditure for medical aid contributions, previously deducted in error.

Furthermore, the prior year amounts for *Employee Related Costs* and Retirement Benefit Liabilities have been restated to correctly disclose the amount for the Provision for Health Care Benefits of the municipality in terms of the Actuarial Report as at 30 June 2012.

Depreciation and Amortisation:

The prior year amounts for *Depreciation & Amortisation* and Property, Plant & Equipment have been restated to correctly disclose the depreciation for the landfill site, previously capitalised incorrectly.

Furthermore, the prior year amounts for *Depreciation and Amortisation* and Infrastructure Assets have been restated to correctly disclose the expenditure for Depreciation on infrastructure assets, previously incorrectly calculated.

Furthermore, the prior year amounts for *Depreciation and Amortisation* and Other Assets have been restated to correctly disclose the expenditure for Depreciation on infrastructure assets, previously incorrectly calculated.

Impairment Losses:

The prior year amounts for *Impairment Losses* and Infrastructure Assets have been restated to correctly disclose the expenditure for Impairment of infrastructure assets, previously incorrectly calculated.

Repairs and Maintenance:

The prior year amounts for *Repairs & Maintenance* and Non-current Provisions have been restated to correctly disclose the interest cost accrued to the Provision for Rehabilitation of Landfill Sites, previously incorrectly expensed.

Finance Costs:

The prior year amounts for *Finance Costs* and Non-current Provisions have been restated to correctly disclose the interest cost accrued to the Provision for Rehabilitation of Landfill Sites, previously incorrectly expensed against Repairs & Maintenance.

Contracted Services:

The prior year amounts for *Contracted Services* and Rental of Facilities & Equipment have been restated to correctly disclose the expenditure for the plantation, previously netted off against income.

General Expenses:

The prior year amounts for *General Expenses* and Rental of Facilities & Equipment have been restated to correctly disclose the expenditure for the plantation, previously netted off against income.

Furthermore, the prior year amounts for *General Expenses* and Payables have been restated to correctly disclose Fruitless Expenditure recovered, previously expensed.

Furthermore, the prior year amounts for *General Expenses* and Biological Assets have been restated to correctly disclose the expenditure for Farming of biological assets, year-end stock previously incorrectly calculated.

Loss on Disposal of Assets:

The prior year amounts for *Loss on Disposal of Assets* and Infrastructure Assets have been restated to correctly disclose the Losses on disposal of infrastructure assets, previously incorrectly calculated.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R
2013
R

40.4 Reclassification of Statement of Financial Position

The prior year figures of Classes in the Statement of Financial Position have been restated to correctly classify the nature of Assets, Liabilities and Net Assets of the municipality.

The effect of the Correction of Error is as follows:

	Prior Year 2012/13 Balance	Current Year 2012/13 Balance	Restated Amount
Current Assets			
Inventories	19 539 705	19 539 706	(0)
Receivables from Exchange Transactions	44 932 869	45 136 742	(203 873)
Receivables from Non-exchange Transactions	170 866 713	174 538 448	(3 671 735)
VAT Receivable	40 775 701	72 903 976	(32 128 275)
Cash and Cash Equivalents	193 083 992	193 083 992	-
Non-Current Assets			
Property, Plant and Equipment	2 349 210 913	3 162 477 315	(813 266 403)
Intangible Assets	156 846	156 846	0
Investment Property	2 200 000	2 200 000	-
Heritage Assets	-	90 000	(90 000)
Biological Assets	10 584 439	9 844 140	740 299
Long-term Receivables	-	1 716 278	(1 716 278)
Current Liabilities			
Consumer Deposits	(1 478 289)	(1 478 289)	0
Provisions	-	(1 803 206)	1 803 206
Payables from Exchange Transactions	(240 047 078)	(179 381 489)	(60 665 589)
Payables from Non-exchange Transactions	-	(85 124 049)	85 124 049
Unspent Conditional Grants and Receipts	(195 242 898)	(195 302 702)	59 803
Bank Overdraft	-	-	-
Current Portion of Long-term Liabilities	(874 377)	(874 376)	(0)
Non-Current Liabilities			
Long-term Liabilities	(638 202)	(638 202)	-
Retirement Benefit Liabilities	-	(8 117 136)	8 117 136
Net Assets			
Reserves	-	(68 329 926)	68 329 926
Accumulated Surplus / (Deficit)	(2 393 070 335)	(3 140 638 068)	747 567 733
	<u>-</u>	<u>-</u>	<u>-</u>

Opening balances and prior year amounts of items in the **Statement of Financial Position** have been restated as indicated below:

	Inventories	Assets Held-for-Sale	Receivables: Exchange	Receivables: Non-exchange
Balances previously published per AFS as at 30 June 2012				
	13 055 172	-	68 600 732	2 332 552
Long-term Debtors reclassified, Vote No 90-00-2-06-203-13				(2 328 055)
Debtors in Credit reclassified, Vote No 90-00-2-13-311-00				2 250 158
Grants in Debit reclassified				75 105
Balances now published per AFS as at 30 June 2012	<u>13 055 172</u>	<u>-</u>	<u>68 600 732</u>	<u>2 329 760</u>
Transactions incurred for the Year 2013	6 484 533	-	(23 667 863)	168 534 161
Bad Debt Written-off reclassified			203 873	
Long-term Debtors reclassified, Vote No 90-00-2-06-203-13				611 777
Prepaid Material reclassified, Vote No 90-00-2-16-003-00				3 078 000
Grants in Debit reclassified				(15 300)
Suspense Accounts in Debit reclassified				49
Rounding Errors	0		0	0
Balances now published per AFS as at 30 June 2013	<u>19 539 706</u>	<u>-</u>	<u>45 136 742</u>	<u>174 538 448</u>

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
	VAT Receivable	Cash & Equivalents	Lease Receivables
			Current LT Receivables
Balances previously published per AFS as at 30 June 2012	-	427 551 056	-
VAT Payable reclassified	(7 343 212)		
VAT Income Suspense reclassified, Vote No 90-00-1-08-301-00	25 325 392		
VAT Income Suspense reclassified, Vote No 90-00-1-08-306-00	(2 986 002)		
VAT Income Suspense reclassified, Vote No 90-00-1-08-308-00	5 560 330		
Balances now published per AFS as at 30 June 2012	20 556 508	427 551 056	-
Transactions incurred for the Year 2012/13	48 118 914	(234 467 065)	-
VAT Income Suspense reclassified, Vote No 90-00-1-08-301-00	(2 171)		
VAT Income Suspense reclassified, Vote No 90-00-1-08-306-00	1 948		
VAT Income Suspense reclassified, Vote No 90-00-1-08-308-00	4 228 777		
Balances now published per AFS as at 30 June 2013	72 903 976	193 083 992	-
	Property, Plant & Equipment	Intangible Assets	Investment Property
			Heritage Assets
Balances previously published per AFS as at 30 June 2012	2 119 062 659	474 907	2 200 000
Heritage Assets reclassified	(90 000)		90 000
Restatement of Infrastructure Assets as per Asset Register	803 040 145		
Restatement of Other Assets as per Asset Register	(47 137 408)		
Balances now published per AFS as at 30 June 2012	2 874 875 396	474 907	2 200 000
Transactions incurred for the Year	230 148 254	(318 061)	-
Rounding Errors	(0)	(0)	-
Restatement of Infrastructure Assets as per Asset Register	52 134 041		
Restatement of Other Assets as per Asset Register	5 319 623		
Balances now published per AFS as at 30 June 2013	3 162 477 315	156 846	2 200 000
		Biological Assets	Non-current Investments
			Long-term Receivables
Balances previously published per AFS as at 30 June 2012		12 544 846	-
Long-term Debtors reclassified, Vote No 90-00-2-06-203-13			2 328 055
Balances now published per AFS as at 30 June 2012		12 544 846	2 328 055
Transactions incurred for the Year		(1 960 407)	-
Long-term Debtors reclassified, Vote No 90-00-2-06-203-13			(611 777)
Rounding Errors		1	
Restatement of Biological Assets as per Asset Register		(740 299)	
Balances now published per AFS as at 30 June 2013		9 844 140	1 716 278

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

			2014 R	2013 R
	Consumer Deposits	Provisions	Payables: Exchange	Payables: Non-exchange
Balances previously published per AFS as at 30 June 2012	(1 053 098)	-	(194 931 304)	-
Reclassification of Long-Service Allowance Provision		(1 359 123)	9 280 898	
VAT Income Suspense reclassified, Vote No 90-00-1-08-301-00			(25 325 392)	
VAT Income Suspense reclassified, Vote No 90-00-1-08-306-00			2 986 002	
VAT Income Suspense reclassified, Vote No 90-00-1-08-308-00			(5 560 330)	
Debtors in Credit reclassified, Vote No 90-00-2-13-311-00			(2 250 158)	
Reclassification of Non-exchange Payables			94 803 065	(94 803 065)
Balances now published per AFS as at 30 June 2012	(1 053 098)	(1 359 123)	(120 997 219)	(94 803 065)
Transactions incurred for the Year	(425 191)	-	(45 115 774)	-
Reclassification of Long-Service Allowance Provision		(444 083)	639 125	
VAT Income Suspense reclassified, Vote No 90-00-1-08-301-00			2 171	
VAT Income Suspense reclassified, Vote No 90-00-1-08-306-00			(1 948)	
VAT Income Suspense reclassified, Vote No 90-00-1-08-308-00			(4 228 777)	
Suspense Accounts in Debit reclassified			(49)	
Reclassification of Non-exchange Payables			(9 679 016)	9 679 016
Rounding Errors	(0)		(1)	
Balances now published per AFS as at 30 June 2013	(1 478 289)	(1 803 206)	(179 381 489)	(85 124 049)
	Unspent Grants	VAT Payable	Lease Liabilities	Current LT Liabilities
Balances previously published per AFS as at 30 June 2012	(383 398 809)	(7 343 212)	-	(677 644)
Grants in Debit reclassified	(75 105)			
VAT Payable reclassified		7 343 212		
Balances now published per AFS as at 30 June 2012	(383 473 914)	-	-	(677 644)
Transactions incurred for the Year	188 155 911	-	-	(196 732)
Grants in Debit reclassified	15 300			
Rounding Errors	2			0
Balances now published per AFS as at 30 June 2013	(195 302 702)	-	-	(874 376)
	Long-term Liabilities	Retirement Liabilities	Non-current Provisions	Revaluation Reserve
Balances previously published per AFS as at 2013/14 / 2012/13	(1 248 591)	-	-	-
Reclassification of Long-Service Allowance Provision		(7 921 775)		
Reclassification of Revaluation Reserve				(68 329 926)
Balances now published per AFS as at 2013/14 / 2012/13	(1 248 591)	(7 921 775)	-	(68 329 926)
Transactions incurred for the Year	610 390	-	-	-
Reclassification of Long-Service Allowance Provision		(195 361)		
Balances now published per AFS as at 30 June 2013	(638 202)	(8 117 136)	-	(68 329 926)

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
41 CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	441 807 633	392 817 988
Adjustment for:		
Correction of Prior Year Errors	(90 114 347)	607
Depreciation and Amortisation	216 624 379	136 140 349
Losses / (Gains) on Disposal of Property, Plant and Equipment	(5 709 299)	685 929
Losses / (Gains) on Other Continued Operations	(2 390 233)	1 257 144
Other Movement on Biological Assets	(1 366 625)	685 631
Contribution to Long Service Awards Liability	4 287 846	1 998 566
Expenditure incurred from Long Service Awards Liability	(1 803 205)	(1 359 123)
Contribution to Impairment Provision	35 636 005	80 157 706
Bad Debts Written-off	-	(203 873)
Operating surplus before working capital changes	596 972 154	612 180 924
Decrease/(Increase) in Inventories	(17 633 049)	(6 484 534)
Decrease/(Increase) in Receivables from Exchange Transactions	(52 021 863)	(49 968 141)
Decrease/(Increase) in Receivables from Non-exchange Transactions	115 645 674	(175 652 390)
Decrease/(Increase) in VAT Receivable	20 177 431	(52 347 469)
Increase/(Decrease) in Consumer Deposits	193 753	425 192
Increase/(Decrease) in Payables from Exchange Transactions	(29 573 882)	58 308 852
Increase/(Decrease) in Payables from Non-exchange Transactions	146 400 903	(9 679 016)
Increase/(Decrease) in Conditional Grants and Receipts	(169 713 145)	(188 096 110)
Cash generated by / (utilised in) Operations	610 447 976	188 687 309

42 NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2013/14 financial year.

43 FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 18)	1 011 904	1 512 578
Used to finance Property, Plant and Equipment - at cost	(1 011 904)	(1 512 578)
Sub-total	-	-
Cash set aside for the Repayment of Long-term Liabilities (See Notes 6 and N/A)	-	-
Cash invested for Repayment of Long-term Liabilities	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	1 476 293 003	1 402 157 223
Unauthorised Expenditure current year	5 090 656	74 135 780
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 52)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	1 481 383 659	1 476 293 003

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted votes exceeded:-</i>	<i>To be condoned by Council</i>
- Finance and Administration - R3 678 131 (2013: R60 323 848)	
- Community and Social Services - R98 279 (2013: R0)	
- Housing - R0 (2013: R2 579 927)	
- Public Safety - R0 (2013: R667 269)	
- Sport and Recreation - R118 (2013: R0)	
- Environmental Protection - R385 370 (2013: R792 904)	
- Roads and Transport - R928 757 (2013: R591 031)	
<i>Other Unauthorised Expenditure:-</i>	<i>To be condoned by Council</i>
- Employee Related Cost: Overtime - R0 (2013: R3 515 288)	
- EPWP: Grant Transfer rollover from previous year - R0 (2013: R5 665 513)	

45.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	15 145 536	13 860 811
Fruitless and Wasteful Expenditure current year	2 343 214	1 284 725
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 52)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	17 488 750	15 145 536

Incident	Disciplinary Steps / Criminal Proceedings
<i>Penalties incurred on Late Payments - R0 (2013: R62 539)</i>	<i>None</i>
<i>Established cost on tender award challenged - R0 (2013: R861 142)</i>	<i>None</i>
<i>Damaged vehicle not recoverable from insurance - R0 (2013: R244 826)</i>	<i>None</i>
<i>Vehicle licence fee paid for unused vehicle - R0 (2013: R105 004)</i>	<i>None</i>
<i>Interest on late payment - Various Creditors - R2 343 214 (2013: R11 215)</i>	<i>None</i>

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R **2013**
R

45.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	274 176 784	214 194 150
Irregular Expenditure current year	2 992 989	68 440 092
Condoned or written off by Council	-	(8 457 458)
To be recovered – contingent asset (see Note 52)	-	-
Transfer to receivables for recovery (see Note 4)	-	-
Irregular Expenditure awaiting condonement	277 169 773	274 176 784

Incident	Disciplinary Steps / Criminal Proceedings
Irregular payments for towards Sate Funeral - R2 992 989 (2013: R0)	Under Investigation. To be submitted to Council for condonement.
Irregular awards made, three quotations not obtained - R0 (2013: R9 994 952)	Under Investigation. To be submitted to Council for condonement.
Irregular awards made to suppliers without tax clearance certificates - R0 (2013: R73 518)	Under Investigation. To be submitted to Council for condonement.
Irregular purchases of airtime for councillors - R0 (2013: R796 106)	Under Investigation. To be submitted to Council for condonement.
Irregular payments towards capacity building for councillors - R0 (2013: R330 500)	Under Investigation. To be submitted to Council for condonement.
Irregular acting allowance paid to Acting Director Technical Services, over three monts - R0 (2013: R179 084)	Under Investigation. To be submitted to Council for condonement.
Irregular bonus payment to councillor - R0 (2013: R11 913)	Under Investigation. To be submitted to Council for condonement.
Irregular salary payment to councillor after resignation - R0 (2013: R47 581)	Under Investigation. To be submitted to Council for condonement.
Irregular payments for construction of VIP sanitation - R0 (2013: R18 774 758)	Under Investigation. To be submitted to Council for condonement.
Irregular advance payment on materials not yet delivered - R0 (2013: R3 078 000)	Under Investigation. To be submitted to Council for condonement.
Irregular payments for attendance of ICT director's funeral - R0 (2013: R500 000)	Under Investigation. To be submitted to Council for condonement.
ARUBA payments not compliant with contract - R0 (2013: R30 894)	Under Investigation. To be submitted to Council for condonement.
Expenditure contrary to SCM Procedures - R0 (2013: R3 759 278)	Under Investigation. To be submitted to Council for condonement.
Expenditure contrary to SCM Processes as described in Note 46.8 - R0 (2013: R0)	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	2 198 403	1 647 974
Amount Paid - current year	(2 198 403)	(1 647 974)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

46.2 Audit Fees

Opening Balance	73 839	29 903
Current year Audit Fee	5 453 417	2 810 908
Amount Paid - current year	(5 337 736)	(2 737 069)
Amount Paid - previous years	(73 839)	(29 903)
Balance Unpaid (included in Creditors)	115 681	73 839

The balance unpaid represents the audit fee for an interim audit conducted during May and June 2013 (June 2012) and is payable by 31 July 2014 (31 July 2013).

46.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
46.4 PAYE, Skills Development Levy and UIF		
Opening Balance	8 730	8 730
Current year Payroll Deductions	49 191 141	45 913 278
Amount Paid - current year	(49 182 905)	(45 913 278)
Amount Paid - previous years	(8 730)	-
Balance Unpaid (included in Creditors)	8 236	8 730

The balance represents PAYE, SDL and UIF deducted from the June 2014 (June 2013) payroll. These amounts were paid during July 2014 (July 2013).

46.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	45 251 554	38 014 575
Amount Paid - current year	(45 251 554)	(38 014 575)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	-	-

46.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at:

	Total	Outstanding up to 90 days	Outstanding more than 90 days
30 June 2014			
Councillor Bunzana M	2 911	1 385	1 527
Councillor Gwadiso VO	43 433	2 421	41 012
Councillor Mlamli	21 585	1 087	20 498
Councillor Mziba	10 540	566	9 974
Councillor Ndlela	28 649	3 161	25 488
Councillor Ndzwayiba WN & NA	18 431	1 190	17 241
Councillor Nelani	4 513	789	3 724
Total Councillor Arrear Consumer Accounts	130 062	10 599	119 463
30 June 2013			
Councillor Bunzana	9 052	1 573	7 478
Councillor Gwadiso	35 207	1 654	33 553
Councillor Mandita	1 921	565	1 356
Councillor Mlamli	38 045	1 338	36 707
Councillor Mziba	8 190	474	7 716
Councillor Ndlela	20 459	1 311	19 148
Councillor Ndzwayiba WN & NA	14 720	1 254	13 465
Councillor Nelani	9 988	822	9 166
Total Councillor Arrear Consumer Accounts	137 582	8 992	128 590

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
During the year the following Councillors had arrear accounts outstanding for more than 90 days:		
30 June 2014	Highest amount outstanding	Ageing
Councillor Bunzana	1 527	> 90 Days
Councillor Gwadiso	41 012	> 90 Days
Councillor Mlamli	20 498	> 90 Days
Councillor Mziba	9 974	> 90 Days
Councillor Ndlela	25 488	> 90 Days
Councillor Ndzwayiba WN & NA	17 241	> 90 Days
Councillor Nelani	3 724	> 90 Days
30 June 2013	Highest amount outstanding	Ageing
Councillor Bunzana	7 478	> 90 Days
Councillor Gwadiso	33 553	> 90 Days
Councillor Mandita	1 356	> 90 Days
Councillor Mlamli	36 707	> 90 Days
Councillor Mziba	7 716	> 90 Days
Councillor Ndlela	19 148	> 90 Days
Councillor Ndzwayiba WN & NA	13 465	> 90 Days
Councillor Nelani	9 166	> 90 Days

46.7 Non-Compliance with the Municipal Finance Management Act

No known matters existed at reporting date.

46.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Various Departments	Year 2013/14	Various occasions (4)	Emergency cases	242 247.96
4 Occasions during the financial year for repairs and services to be rendered amounting to R242 247,96				
Various Departments	Year 2013/14	Various occasions (2)	Second choice (supplier/tenderer) were used	104 825.30
2 Occasions during the financial year procuring building materials and services amounting to R104 825,30				
Various Departments	Year 2013/14	Various occasions (28)	Sole supplier	1 501 553.08
28 Occasions during the financial year procuring goods and services amounting to R1 501 553,08				
Various Departments	Year 2013/14	Various occasions (4)	Sole supplier and upfront payment	595 711.16
4 Occasion during the financial year procuring procuring goods and services amounting to R595 711,16				
Various Departments	Year 2013/14	Various occasions (41)	Up front payment	2 557 032.29
41 Occasion during the financial year procuring procuring goods, services and equipment R2 557 032,29				

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R **2013**
R

46.9 Bulk Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Water Losses were as follows and are not recoverable:

Water:

		Lost Units	Tariff	Value
30 June 2014	Unaccounted Water Losses	6 585 646	4.4800	29 503 692
30 June 2013	Unaccounted Water Losses	6 262 130	3.8200	23 921 337

Water Losses occur due to *inter alia*, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

	2014 R	2013 R
Volumes in KI/year:		
Water Inventory Opening Balance	115 592	54 326
System Input Volume	28 842 728	27 848 054
Billed Consumption	(11 128 349)	(10 934 499)
Free Basic Water Provided	(11 077 605)	(10 590 160)
Water Inventory Closing Balance	(166 721)	(115 592)
Distribution Loss	6 585 646	6 262 130
Percentage Distribution Loss	22.83%	22.49%

47 COMMITMENTS FOR EXPENDITURE

47.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

1 566 989 314 **563 161 944**

1 566 989 314	563 161 944
---------------	-------------

- Approved but Not Yet Contracted for:-

Infrastructure

346 095 949 **393 710 639**

346 095 949	393 710 639
-------------	-------------

Total Capital Commitments

1 913 085 263	956 872 583
----------------------	--------------------

This expenditure will be financed from:

Government Grants

1 913 085 263 956 872 583

1 913 085 263	956 872 583
----------------------	--------------------

47.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 18.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
48 FINANCIAL INSTRUMENTS			
48.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
Long-term Receivables			
Other Loans	Amortised cost	117 285	1 716 278
Receivables from Exchange Transactions			
Sewerage	Amortised cost	7 833 087	6 130 831
Water	Amortised cost	35 327 312	26 919 914
Other Receivables	Amortised cost	18 362 202	12 085 997
Receivables from Non-exchange Transactions			
Payments made in Advance	Amortised cost	47 765 548	165 264 348
Short-term Loans	Amortised cost	54 945	57 685
Sundry Debtors	Amortised cost	4 399 705	2 988 615
Suspense Accounts	Amortised cost	6 672 576	6 227 800
Cash and Cash Equivalents			
Call Deposits	Amortised cost	142 579 981	181 839 169
Bank Balances	Amortised cost	61 675 089	11 244 822
Current Portion of Long-term Receivables			
Other Loans	Amortised cost	-	-
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Long-term Receivables	Other Loans	117 285	1 716 278
Receivables from Exchange Transactions	Sewerage	7 833 087	6 130 831
Receivables from Exchange Transactions	Water	35 327 312	26 919 914
Receivables from Exchange Transactions	Other Debtors	18 362 202	12 085 997
Receivables from Non-exchange Transactions	Payments made in Advance	47 765 548	165 264 348
Receivables from Non-exchange Transactions	Short-term Loans	54 945	57 685
Receivables from Non-exchange Transactions	Sundry Debtors	4 399 705	2 988 615
Receivables from Non-exchange Transactions	Suspense Accounts	6 672 576	6 227 800
Current Portion of Long-term Receivables	Other Loans	-	-
Cash and Cash Equivalents	Call Deposits	142 579 981	181 839 169
Cash and Cash Equivalents	Bank Balances	61 675 089	11 244 822
		324 787 728	414 475 459
Total Financial Assets		324 787 728	414 475 459

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	583 753	638 202
Payables from Exchange Transactions			
Payments Received in Advance	Amortised cost	4 836 750	3 655 293
Trade Creditors	Amortised cost	271 734	232 994
Other Creditors	Amortised cost	108 860 355	143 364 927
VAT Income Suspense Account	Amortised cost	35 838 768	32 128 275
Payables from Non-exchange Transactions			
Income Received in Advance	Amortised cost	2 250 158	2 250 158
Staff Bonuses	Amortised cost	5 681 399	5 327 256
Staff Leave	Amortised cost	27 823 560	23 726 411
Suspense Accounts	Amortised cost	195 769 835	53 820 224
Current Portion of Long-term Liabilities			
Finance Lease Liabilities	Amortised cost	428 151	874 376
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Finance Lease Liabilities	583 753	638 202
Payables from Exchange Transactions	Payments Received in Advance	4 836 750	3 655 293
Payables from Exchange Transactions	Trade Creditors	271 734	232 994
Payables from Exchange Transactions	Other Creditors	108 860 355	143 364 927
Payables from Exchange Transactions	VAT Income Suspense Account	35 838 768	32 128 275
Payables from Non-exchange Transactions	Income Received in Advance	2 250 158	2 250 158
Payables from Non-exchange Transactions	Staff Bonuses	5 681 399	5 327 256
Payables from Non-exchange Transactions	Staff Leave	27 823 560	23 726 411
Payables from Non-exchange Transactions	Suspense Accounts	195 769 835	53 820 224
Current Portion of Long-term Liabilities	Finance Lease Liabilities	428 151	874 376
		<u>382 344 463</u>	<u>266 018 116</u>
Total Financial Liabilities		<u>382 344 463</u>	<u>266 018 116</u>

48.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014	2013
R	R

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2014, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

48.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 21 and the Statement of Changes in Net Assets.

Gearing Ratio

The gearing ratio at the year-end was as follows:

	2014	2013
	R	R
Debt	1 011 904	1 512 578
Cash and Cash Equivalents	(204 255 070)	(193 083 992)
Net Debt	(203 243 165)	(191 571 414)
Equity	3 560 661 281	3 208 967 994
Net debt to equity ratio	-5.71%	-5.97%

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

48.4 Financial Risk Management Objectives

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

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

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

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

48.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

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

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

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Notes 48.8 to the Annual Financial Statements.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

48.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 48.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

48.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

48.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

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

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

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

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

The short and long-term financial instruments at year-end with variable interest rates are set out in Note 48.8 below.

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2014 would have increased / decreased by R1 986 695 (30 June 2013: R3 103 174). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R **2013**
R

48.7 Credit Risk Management

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

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

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for sewerage and water services rendered to them.

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

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

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

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

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

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

2014
R **2013**
R

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

Fixed Deposit Investments	-	-
Long-term Receivables	117 285	1 716 278
Receivables from Exchange Transactions	392 868 749	340 846 886
Receivables from Non-exchange Transactions	142 584 526	258 230 200
Bank, Cash and Cash Equivalents	204 255 070	193 083 992
Maximum Credit and Interest Risk Exposure	739 825 629	793 877 355

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:		
	%	%
Consumer Debtors:		
- Household	63.86%	46.10%
- Industrial / Commercial	7.73%	6.94%
- National and Provincial Government	2.45%	4.45%
- Other Classes	0.28%	0.25%
Other Debtors:		
- Other not Classified	26.63%	43.10%
Total Credit Risk	100.95%	100.85%

Credit quality of Financial Assets:

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Long-term Receivables

Group 1	-	-
Group 2	117 285	1 716 278
Total Long-term Receivables	117 285	1 716 278

Receivables from Exchange Transactions

Counterparties without external credit rating:-

Group 1	8 467 455	21 262 045
Group 2	4 595 573	11 539 629
	13 063 029	32 801 674
Total Receivables from Exchange Transactions	13 063 029	32 801 674

Receivables from Non-exchange Transactions

Group 1	58 892 774	174 538 448
Group 2	-	-
Total Receivables from Non-exchange Transactions	58 892 774	174 538 448

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

48 FINANCIAL INSTRUMENTS (Continued)

48.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 45 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2014								
Non-interest Bearing		0.00%	120 532 659	120 500 025	-	32 368	-	266
Variable Interest Rate Instruments		9.59%	204 255 070	204 255 070	-	-	-	-
			324 787 728	324 755 094	-	32 368	-	266
30 June 2013								
Non-interest Bearing		0.00%	221 391 468	221 358 834	-	32 368	-	266
Variable Interest Rate Instruments		6.93%	193 083 992	193 083 992	-	-	-	-
			414 475 459	414 442 825	-	32 368	-	266

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increased service tariff charges and the increased use of unsecured bank loan facilities.

48.9 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

49 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

No benefits is provided for councillors, but they can join the Pension Fund for Municipal Councillors on their own.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R19 744 054 (2013: R17 504 426) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the fund had a deficit of R58,9 (30 June 2010: surplus of R0,0) million, with a funding level of 98,1% (30 June 2010: 100,0%). The balance of the Solvency Reserve was R4,9 (30 June 2010: R4,9) million. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is less than the recommended contribution rate of 32,4%.

Government Employees Pension Fund (GEPF):

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 31 March 2010.

The statutory valuation performed as at 31 March 2010 revealed that the fund had a surplus of R0,0 (31 March 2008: R0,0) million, with a funding level of 100,0% (31 March 2008: 100,0%). The contribution rate paid by the members (7,50%) and the municipalities (13,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2011.

The statutory valuation performed as at 28 February 2011 revealed that the net assets of the fund were R552,8 (28 February 2008: R432,7) million, with a funding level of 107,9% (28 February 2008: 108,2%). The contribution rate paid by the members (7,50%) and Council (15,00%, 18,00% and 22,00%) is not sufficient to fund the benefits accruing from the fund in the future and there is a shortfall in the future employer contribution rate of 8,10% (28 February 2008: 0,70%).

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the investment reserve of the fund amounted to R15 285 (30 June 2010: R7 311) million, with a funding level of 104,1% (30 June 2010: 102,0%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2011.

The statutory valuation performed as at 30 June 2011 revealed that the assets of the fund amounted to R9 869 (30 June 2010: R8 220) million, with funding levels of 100,3% and 116,9% (30 June 2010: 99,9% and 100,3%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The scheme's assets amounted to R6 981,5 (2012: R5 646,4) million at 30 June.

The statutory valuation performed as at 30 June 2013 revealed that the fund had a deficit of 65,2 (30 June 2012: deficit R63,6) million, with a funding level of 99,07% (30 June 2012: 98,89%). The contribution rate paid by the members (minimum of 2,00% to 5,00%) and the municipalities (minimum of 2,00% to 5,00%) is sufficient to fund the benefits accruing from the fund in the future.

The monthly deductions for cost were sufficient to cover the expenses incurred over the valuation period. The Trustees, with the support of the Valuator, must continue to monitor the position on an annual basis.

SAMWU (South African Municipal Workers Union) National Provident Fund:

The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005.

The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100,0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.

No further details could be obtained for the fund and of any subsequent valuations performed.

None of the above mentioned plans are State Plans.

50 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

50.1 Interest of Related Parties

No Related Party Interests have been identified/declared for the two financial years under review.

O R Tambo Ntinga Development Agency is wholly controlled by the municipality.

50.2 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 12 to the Annual Financial Statements.

50.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 28, 29 and Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

50.4 Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	R	R
51 CONTINGENT LIABILITIES		
51.1 Court Proceedings:	34 475 689	34 475 689
(i) Failure to honour a Cession Agreement: Claims have been lodged for failure to honour a cession agreement. The municipality is contesting the claim based on legal advice. The outcome of the case is still uncertain.	187 981	187 981
(ii) Failure to honour a Contracts: Summons from service providers have been received for failure to honour contracts. On the basis of legal advice the municipality is contesting the claim. The outcome of the case is still uncertain.	11 359 545	11 359 545
(iii) Claims for Services Rendered: Claims in lieu of services rendered have been lodged against the municipality. On the basis of legal opinion, the municipality is contesting the claims. The outcome of the cases are still uncertain.	18 078 183	18 078 183
(iv) Breach of Agreement: The municipality is being sued for breach of agreement resulting to loss of earnings. The municipality contested the claim. The outcome of the case is still uncertain.	2 336 960	2 336 960
(v) Claim for Damages Suffered: The municipality is being sued for damages suffered in a motor accident that occurred. On the basis of legal opinion the municipality is contesting the claim. The outcome of the case is still uncertain.	200 000	200 000
(vi) Claim for Damages Suffered: The municipality is being sued for damages on the claimant's property. The municipality is contesting the claim. The outcome of the case is still uncertain.	315 000	315 000
(vii) Claim for Damages Suffered: Claims have been lodged for damage to telephone infrastructure. The municipality is contesting the claim. The outcome of the cases are still uncertain.	352 547	352 547
(viii) Claim for Damages Suffered: Claims have been lodged for the damage to motor vehicles. The municipality is contesting the claims. The outcome of the cases are still uncertain.	79 473	79 473
(ix) Claim for Electricution: The municipality is being sued for the electricution of a contract worker. The municipality is contesting the claim. The outcome of the case is still uncertain.	300 000	300 000
(v) Claim for Damages Suffered: Claims have been lodged for the damages arising from exposure to robbery, theft and trespassing of strangers. The municipality is contesting the claims. The outcome of the cases are still uncertain.	66 000	66 000
(v) Claim for Damages Suffered: The municipality is being sued for damages suffered in a motor accident that occurred. On the basis of legal opinion the municipality is contesting the claim. The outcome of the case is still uncertain.	1 200 000	1 200 000

52 CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

53 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

54 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

2014
R

2013
R

55 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2014.

56 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 40).

57 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 25 June 2013 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX D
OR TAMBO DISTRICT MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

2013 Actual Income	2013 Actual Expenditure	2013 Surplus/ (Deficit)	Description	2014 Actual Income	2014 Actual Expenditure	2014 Surplus/ (Deficit)
R	R	R		R	R	R
2 186 331	85 802 155	(83 615 824)	Executive and Council	1 016 999	82 608 296	(81 591 296)
719 871 246	131 707 486	588 163 760	Budget and Treasury Office	794 594 283	79 091 253	715 503 030
1 050 477	81 290 492	(80 240 014)	Corporate Services	3 139 701	88 076 111	(84 936 410)
424 280	78 683 289	(78 259 009)	Planning and Development	2 715 676	49 355 256	(46 639 580)
-	3 966 373	(3 966 373)	Health	-	3 775 850	(3 775 850)
1 024 654	(394 393 869)	395 418 523	Community and Social Services	1 010 635	8 660 036	(7 649 401)
303 905	11 519 770	(11 215 865)	Housing	4 000 000	10 729 938	(6 729 938)
-	22 175 365	(22 175 365)	Public Safety	725 388	22 980 389	(22 255 000)
-	3 887 564	(3 887 564)	Sport and Recreation	-	3 585 099	(3 585 099)
-	10 595 657	(10 595 657)	Environmental Protection	326 007	15 672 131	(15 346 124)
23 628 520	2 830 681	20 797 839	Roads and Transport	2 329 543	3 719 252	(1 389 709)
799 642 403	1 114 727 762	(315 085 359)	Water	1 046 426 122	1 044 419 749	2 006 373
-	2 521 102	(2 521 102)	Other	-	1 803 362	(1 803 362)
1 548 131 816	1 155 313 828	392 817 988	Sub-Total	1 856 284 355	1 414 476 722	441 807 633
			Revenue Foregone			
1 548 131 816	1 155 313 828	392 817 988	Total	1 856 284 355	1 414 476 722	441 807 633

**APPENDIX E(1)
OR TAMBO DISTRICT MUNICIPALITY**

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14										2012/13				
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD															
Governance and Administration:															
Executive and Council	68 432 518	18 355 066	86 787 584	-	-	86 787 584	1 016 999	-	(85 770 585)	1.17	1.49				2 186 331
Budget and Treasury Office	80 689 146	(7 423 297)	73 265 849	-	-	73 265 849	794 594 283	-	721 328 434	1 084.54	984.76				719 871 246
Corporate Services	83 539 258	2 291 770	85 831 028	-	-	85 831 028	3 139 701	-	(82 691 327)	3.66	3.76				1 050 477
Community and Public Safety:															
Community and Social Services	8 079 396	742 359	8 821 755	-	-	8 821 755	1 010 635	-	(7 811 120)	11.46	12.51				1 024 654
Sport and Recreation	3 118 197	466 785	3 584 982	-	-	3 584 982	-	-	(3 584 982)	0.00	0.00				-
Public Safety	29 042 262	(5 658 522)	23 383 740	-	-	23 383 740	725 388	-	(22 658 352)	3.10	2.50				-
Housing	7 126 721	3 051 322	10 178 043	-	-	10 178 043	4 000 000	-	(6 178 043)	39.30	56.13				303 905
Health	5 067 553	(209 578)	4 857 975	-	-	4 857 975	-	-	(4 857 975)	0.00	0.00				-
Economic and Environmental Services:															
Planning and Development	57 507 193	1 711 297	59 218 490	-	-	59 218 490	2 715 676	-	(56 502 814)	4.59	4.72				424 280
Road Transport	2 788 423	2 072	2 790 495	-	-	2 790 495	2 329 543	-	(460 952)	83.48	83.54				23 628 520
Environmental Protection	8 376 602	6 922 157	15 298 759	-	-	15 298 759	326 007	-	(14 972 752)	2.13	3.89				-
Trading Services:															
Water	1 300 374 448	163 988 799	1 464 363 247	-	-	1 464 363 247	1 046 426 122	-	(417 937 125)	71.46	80.47				799 642 403
Other:															
Tourism	1 888 981	366 995	2 255 976	-	-	2 255 976	-	-	(2 255 976)	0.00	0.00				-
Total Revenue - Standard	1 656 030 698	184 607 225	1 840 637 923	-	-	1 840 637 923	1 856 284 355	-	15 646 432	100.85	112.09	-	-	-	1 548 131 816
EXPENDITURE - STANDARD															
Governance and Administration:															
Executive and Council	63 082 516	21 267 725	84 350 241	-	5 050 000	89 400 241	82 608 296	-	(6 791 945)	92.40	130.95				85 802 155
Budget and Treasury Office	72 844 146	(1 546 024)	71 298 122	-	4 115 000	75 413 122	79 091 253	-	3 678 131	104.88	108.58				131 707 486
Corporate Services	79 799 705	1 903 295	81 703 000	-	1 689 550	83 392 550	88 076 111	-	4 683 561	105.62	110.37				81 290 492
Community and Public Safety:															
Community and Social Services	7 052 397	482 360	7 534 757	-	1 027 000	8 561 757	8 660 036	-	98 279	101.15	122.80				(394 393 869)
Sport and Recreation	3 118 197	466 784	3 584 981	-	-	3 584 981	3 585 099	-	118	100.00	114.97				3 887 564
Public Safety	16 642 264	1 312 789	17 955 053	-	5 261 889	23 216 942	22 980 389	-	(236 553)	98.98	138.08				22 175 365
Housing	6 806 720	(833 147)	5 973 573	-	5 321 712	11 295 285	10 729 938	-	(565 347)	94.99	157.64				11 519 770
Health	3 067 553	1 610 423	4 677 976	-	180 000	4 857 976	3 775 850	-	(1 082 126)	77.72	123.09				3 966 373
Economic and Environmental Services:															
Planning and Development	51 807 193	4 681 888	56 489 081	-	4 380 000	60 869 081	49 355 256	-	(11 513 825)	81.08	95.27				78 683 289
Road Transport	498 423	2 072	500 495	-	2 290 000	2 790 495	3 719 252	-	928 757	133.28	746.20				2 830 681
Environmental Protection	8 376 602	6 910 159	15 286 761	-	-	15 286 761	15 672 131	-	385 370	102.52	187.09				10 595 657
Trading Services:															
Water	525 482 279	40 672 377	566 154 656	-	904 942 217	1 471 096 873	1 044 419 749	-	(426 677 124)	71.00	198.75				1 114 727 762
Other:															
Tourism	1 888 982	170 429	2 059 411	-	200 000	2 259 411	1 803 362	-	(456 049)	79.82	95.47				2 521 102
Total Expenditure - Standard	840 466 977	77 101 130	917 568 107	-	934 457 368	1 852 025 475	1 414 476 722	-	(437 548 753)	76.37	168.30	-	-	-	1 155 313 828
Surplus/(Deficit) for the year	815 563 721	107 506 095	923 069 816	-	(934 457 368)	(11 387 552)	441 807 633	-	453 195 185	0.00	54.17	-	-	-	392 817 988

**APPENDIX E (2)
OR TAMBO DISTRICT MUNICIPALITY**

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14									2012/13					
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE															
Vote 1 - Council and Committees	85 236 662	16 452 658	101 689 320	-	-	101 689 320	2 173 212	-	(99 516 108)	2.14	2.55				3 236 808
Vote 2 - Finance and Administration	137 117 651	(4 805 123)	132 312 528	-	-	132 312 528	796 577 772	-	664 265 244	602.04	580.94				719 871 246
Vote 3 - Planning and Development	21 831 479	(4 032 403)	17 799 076	-	-	17 799 076	2 715 676	-	(15 083 400)	15.26	12.44				424 280
Vote 4 - Health	5 067 553	(209 578)	4 857 975	-	-	4 857 975	-	-	(4 857 975)	0.00	0.00				-
Vote 5 - Community and Social Services	6 989 355	740 511	7 729 866	-	-	7 729 866	1 010 635	-	(6 719 231)	13.07	14.46				1 024 654
Vote 6 - Housing	7 126 721	3 051 322	10 178 043	-	-	10 178 043	4 000 000	-	(6 178 043)	39.30	56.13				303 905
Vote 7 - Public Safety	29 042 262	(5 658 522)	23 383 740	-	-	23 383 740	725 388	-	(22 658 352)	3.10	2.50				-
Vote 8 - Sport and Recreation	3 118 197	466 785	3 584 982	-	-	3 584 982	-	-	(3 584 982)	0.00	0.00				-
Vote 9 - Environmental Protection	8 376 602	6 922 157	15 298 759	-	-	15 298 759	326 007	-	(14 972 752)	2.13	3.89				-
Vote 10 Road Transport	4 858 757	912 288	5 771 045	-	-	5 771 045	2 329 543	-	(3 441 502)	40.37	47.95				23 628 520
Vote 11 Water	1 310 681 057	165 564 803	1 476 245 860	-	-	1 476 245 860	1 046 426 122	-	(429 819 738)	70.88	79.84				799 642 403
Vote 12 Other Functions	36 584 402	5 202 327	41 786 729	-	-	41 786 729	-	-	(41 786 729)	0.00	0.00				-
Total Revenue by Vote	1 656 030 698	184 607 225	1 840 637 923	-	-	1 840 637 923	1 856 284 355	-	15 646 432	100.85	112.09	-	-	-	1 548 131 816
EXPENDITURE BY VOTE															
Vote 1 - Council and Committees	79 886 659	19 865 319	99 751 978	-	5 050 000	104 801 978	95 253 912	-	(9 548 066)	90.89	119.24				100 312 046
Vote 2 - Finance and Administration	127 533 102	(686 329)	126 846 773	-	5 623 550	132 470 323	143 857 730	-	11 387 407	108.60	112.80				191 988 411
Vote 3 - Planning and Development	16 131 479	(1 321 811)	14 809 668	-	4 380 000	19 189 668	13 858 089	-	(5 331 579)	72.22	85.91				21 015 256
Vote 4 - Health	3 067 553	1 610 423	4 677 976	-	180 000	4 857 976	3 775 850	-	(1 082 126)	77.72	123.09				3 966 373
Vote 5 - Community and Social Services	5 962 356	740 511	6 702 867	-	1 027 000	7 729 867	7 644 433	-	(85 434)	98.89	128.21				(395 894 824)
Vote 6 - Housing	6 806 720	(833 147)	5 973 573	-	5 321 712	11 295 285	10 729 938	-	(565 347)	94.99	157.64				11 519 770
Vote 7 - Public Safety	16 642 264	1 312 789	17 955 053	-	5 261 889	23 216 942	22 980 389	-	(236 553)	98.98	138.08				22 175 365
Vote 8 - Sport and Recreation	3 118 197	466 784	3 584 981	-	-	3 584 981	3 585 099	-	118	100.00	114.97				3 887 564
Vote 9 - Environmental Protection	8 376 602	6 910 159	15 286 761	-	-	15 286 761	15 672 131	-	385 370	102.52	187.09				10 595 657
Vote 10 Road Transport	2 568 757	912 288	3 481 045	-	2 290 000	5 771 045	5 555 926	-	(215 119)	96.27	216.29				1 130 508
Vote 11 Water	533 788 885	43 118 383	576 907 268	-	905 123 217	1 482 030 485	1 055 083 768	-	(426 946 717)	71.19	197.66				1 121 227 438
Vote 12 Other Functions	36 584 403	5 005 761	41 590 164	-	200 000	41 790 164	36 479 458	-	(5 310 706)	87.29	99.71				63 390 262
Total Expenditure by Vote	840 466 977	77 101 130	917 568 107	-	934 457 368	1 852 025 475	1 414 476 722	-	(437 548 753)	76.37	168.30	-	-	-	1 155 313 828
Surplus/(Deficit) for the year	815 563 721	107 506 095	923 069 816	-	(934 457 368)	(11 387 552)	441 807 633	-	453 195 185	0.00	54.17	-	-	-	392 817 988

APPENDIX E (3)
OR TAMBO DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14									2012/13					
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported Unauthorised Expenditure	Expenditure authorised i.t.o. Sect 32	Balance to be Recovered	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source															
Rental of Facilities and Equipment	35 000	-	35 000	-	-	35 000	29 414	-	(5 586)	84.04	84.04	-	-	-	17 132
Interest Earned - External Investments	15 500 000	1 700 000	17 200 000	-	-	17 200 000	19 054 621	-	1 854 621	110.78	122.93	-	-	-	21 490 534
Interest Earned - Outstanding Debtors	19 000 000	-	19 000 000	-	-	19 000 000	28 006 450	-	9 006 450	147.40	147.40	-	-	-	24 458 462
Agency Services	-	-	-	-	-	-	104 015	-	104 015	0.00	0.00	-	-	-	63 894
Transfers Recognised - Operational	943 998 461	(23 610 567)	920 387 894	-	-	920 387 894	1 557 107 259	-	636 719 365	169.18	164.95	-	-	-	1 278 856 457
Other Revenue	177 042 086	5 811 218	182 853 304	-	-	182 853 304	96 212 263	-	(86 641 041)	52.62	54.34	-	-	-	95 373 662
Gains on Disposal of PPE	-	-	-	-	-	-	5 709 299	-	5 709 299	0.00	0.00	-	-	-	-
Total Revenue (excluding Capital Transfers & Contributions)	1 420 535 547	(12 099 349)	1 408 436 198			1 408 436 198	1 856 284 355		447 848 157	131.80	130.67				1 548 131 816
Expenditure															
Employee Related Costs	262 942 190	20 746 988	283 689 178	-	-	283 689 178	281 891 705	-	(1 797 473)	99.37	107.21	-	-	-	227 482 673
Remuneration of Councillors	-	-	-	-	-	-	11 310 100	11 310 100	11 310 100	0.00	0.00	-	-	-	11 498 076
Debt Impairment	121 000 000	-	121 000 000	-	-	121 000 000	35 636 005	-	(85 363 995)	29.45	29.45	-	-	-	80 157 706
Depreciation and Asset Impairment	160 490 586	-	160 490 586	-	-	160 490 586	216 624 379	56 133 793	56 133 793	134.98	134.98	-	-	-	136 140 349
Finance Charges	-	-	-	-	-	-	2 343 214	2 343 214	2 343 214	0.00	0.00	-	-	-	965 123
Bulk Purchases	30 000 000	(270 000)	29 730 000	-	-	29 730 000	40 105 296	10 375 296	10 375 296	134.90	133.68	-	-	-	78 243 815
Other Materials	32 061 008	(32 669)	32 028 339	-	-	32 028 339	23 001 974	-	(9 026 365)	71.82	71.74	-	-	-	58 037 423
Contracted Services	21 806 050	3 070 600	24 876 650	-	-	24 876 650	22 199 567	-	(2 677 083)	89.24	101.80	-	-	-	20 102 135
Transfers and Grants	45 183 033	11 413 042	56 596 075	-	-	56 596 075	50 510 745	-	(6 085 330)	89.25	111.79	-	-	-	77 074 698
Other Expenditure	166 984 110	42 173 169	209 157 279	-	934 457 368	1 143 614 647	730 853 737	-	(412 760 910)	63.91	437.68	-	-	-	464 925 900
Loss on Disposal of PPE	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	685 929
Total Expenditure	840 466 977	77 101 130	917 568 107		934 457 368	1 852 025 475	1 414 476 722	80 162 403	(437 548 753)	76.37	168.30				1 155 313 828
Surplus/(Deficit)	580 068 570	(89 200 479)	490 868 091		(934 457 368)	(443 589 277)	441 807 633	(80 162 403)	885 396 910	0.00	76.16				392 817 988
Transfers Recognised - Capital	235 495 151	196 706 574	432 201 725	-	-	432 201 725	-	-	(432 201 725)	0.00	0.00	-	-	-	-
Surplus/(Deficit) for the Year	815 563 721	107 506 095	923 069 816		(934 457 368)	(11 387 552)	441 807 633	(80 162 403)	453 195 185	-	54.17				392 817 988

APPENDIX E(5)
OR TAMBO DISTRICT MUNICIPALITY
RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

Description	2013/14							2012/13	
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and Other	200 037 086	6 400 000	206 437 086	206 437 086	355 492 184	149 055 098	172.20	177.71	(34 273 045)
Government - Operating	1 064 998 460	(30 505 243)	1 034 493 217	1 034 493 217	1 387 394 114				625 665 229
Government - Capital	235 495 151	196 706 574	432 201 725	432 201 725	-	(432 201 725)	0.00	0.00	465 095 118
Interest	34 500 000	6 372 658	40 872 658	40 872 658	19 054 621	(21 818 037)	46.62	55.23	21 490 534
Payments									
Suppliers and Employees	(513 793 353)	(41 227 099)	(555 020 452)	(555 020 452)	(1 098 638 984)	(543 618 532)	0.00	0.00	(811 250 706)
Finance Charges	-	-	-	-	(2 343 214)	(2 343 214)	0.00	0.00	(965 123)
Transfers and Grants	(45 183 033)	(11 413 042)	(56 596 075)	(56 596 075)	(50 510 745)	6 085 330	0.00	0.00	(77 074 698)
NET CASH FROM / (USED) OPERATING ACTIVITIES	976 054 311	126 333 848	1 102 388 159	1 102 388 159	610 447 976	(844 841 080)	55.38	62.54	188 687 309
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on Disposal of PPE	-	-	-	-	6 609 941	6 609 941	0.00	0.00	72 003
Decrease / (Increase) in Non-current Debtors	-	-	-	-	1 598 993	1 598 993	0.00	0.00	611 777
Payments									
Capital Assets	(815 563 722)	(126 333 852)	(941 897 574)	(941 897 574)	(606 985 158)	334 912 416	0.00	0.00	(423 424 206)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(815 563 722)	(126 333 852)	(941 897 574)	(941 897 574)	(598 776 225)	343 121 349	0.00	0.00	(422 740 426)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
New Loans raised	-	-	-	-	-	-	0.00	0.00	214 297
Payments									
Loans repaid	-	-	-	-	(500 674)	(500 674)	0.00	0.00	(627 954)
NET CASH FROM / (USED) FINANCING ACTIVITIES	-	-	-	-	(500 674)	(500 674)	0.00	0.00	(413 657)
NET INCREASE / (DECREASE) IN CASH HELD	(160 490 589)	4	(160 490 585)	(160 490 585)	(11 171 078)	149 319 507	0.00	0.00	234 466 775
Cash / Cash Equivalents at the Year begin:	454 616 305	-	454 616 305	454 616 305	193 083 992	(261 532 313)	42.47	42.47	427 550 766
Cash / Cash Equivalents at the Year end:	615 106 894	(4)	615 106 890	615 106 890	204 255 070	(410 851 820)	33.21	33.21	193 083 992

APPENDIX G
OR TAMBO DISTRICT MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2014

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Executive Mayor												
Myolwa D	-	143 452	-	39 709	6 264	-	-	-	-	-	14 249	203 673
Meth N (Ms)	-	384 463	-	128 154	18 370	-	-	-	-	-	33 594	564 581
Speaker												
Meth N (Ms)	-	100 543	-	31 767	4 868	-	-	-	-	-	4 968	142 147
Nogumla R.Z.	-	309 246	-	103 082	14 832	-	-	-	-	-	32 036	459 195
Mayoral Committee												
Ntobongwana N. (Ms)	-	384 891	-	124 490	18 935	-	-	-	-	-	92 891	621 207
Nogumla R.Z.	-	94 259	-	29 788	4 655	-	-	-	-	-	14 988	143 690
Dyule N.W. (Ms)	-	384 891	-	126 665	19 310	-	-	-	-	-	134 877	665 743
Mambila L.N.	-	384 891	-	126 665	18 688	-	-	-	-	-	58 337	588 581
Mgugudo N.O. (Ms)	-	321 481	-	106 505	16 489	-	-	-	-	-	120 110	564 585
Ngozi W.	-	384 891	-	126 667	18 639	-	-	-	-	-	53 136	583 333
Pepping P.N. (Ms)	-	321 481	-	106 505	16 180	-	-	-	-	-	85 289	529 454
Sabisa T.	-	285 805	-	95 268	4 059	-	-	-	-	-	30 471	415 604
Sabona N.J.	-	279 207	-	93 069	4 085	-	-	-	-	-	47 796	424 157
Mbede B.	-	239 623	-	78 243	11 184	-	-	-	-	-	71 585	400 633
Nkani B.J. (Ms)	-	239 623	-	78 243	11 439	-	-	-	-	-	107 280	436 585
Soguntuza N. (Ms)	-	239 623	-	78 243	11 120	-	-	-	-	-	68 390	397 376
Chairpersons (Section 79)												
Dudumayo B.R.	-	362 428	-	120 809	18 208	-	-	-	-	-	119 001	620 447
Dambuza M.B.	-	219 703	-	73 235	11 214	-	-	-	-	-	53 217	357 368
Other Councillors												
Sigcau M.	-	229 669	-	3 971	8 298	-	-	-	-	-	40 971	282 909
Socikwa M.C.	-	244 150	-	81 383	16 095	-	-	-	-	-	110 035	451 663
Mlamli S.	-	230 935	-	74 685	12 749	-	-	-	-	-	206 922	525 291
Makhedama M.	-	176 213	-	57 427	8 350	-	-	-	-	-	62 102	304 092
Njemla S.N.	-	239 623	-	78 243	11 054	-	-	-	-	-	49 476	378 395
Ntshuba V.W.	-	176 213	-	57 427	8 493	-	-	-	-	-	80 749	322 881
Mamve N.N. (Ms)	-	153 957	-	49 790	7 727	-	-	-	-	-	28 861	240 335
Mandita K.	-	153 957	-	49 790	7 924	-	-	-	-	-	54 675	266 346
Ndude L.M.	-	153 957	-	49 790	7 984	-	-	-	-	-	46 991	258 722
Ndzwayiba M.W.	-	153 957	-	49 790	7 844	-	-	-	-	-	28 381	239 972
Xangayi C.T.	-	153 957	-	49 790	8 119	-	-	-	-	-	64 264	276 130
Mvanyashe M.N.	-	42 274	-	11 913	1 994	-	-	-	-	-	6 603	62 784
Hibhane Z.	-	27 938	-	9 264	446	-	-	-	-	-	18 524	56 172
Mziba L. (Ms)	-	27 938	-	9 264	534	-	-	-	-	-	29 420	67 157
Nkungu M.I.	-	27 938	-	9 264	912	-	-	-	-	-	76 903	115 017
Kotana M.P.J.	-	15 119	-	4 890	693	-	-	-	-	-	65 663	86 365
Mbotshwa N. (Ms)	-	15 119	-	4 890	214	-	-	-	-	-	4 686	24 909
Zweni R.M.	-	15 119	-	4 890	201	-	-	-	-	-	2 166	22 376
Capa N.Y. (Ms)	-	5 682	-	1 837	734	-	-	-	-	-	84 935	93 188
Dawedi A.M.	-	5 682	-	1 837	287	-	-	-	-	-	25 715	33 521
Gogo M.	-	5 682	-	1 837	680	-	-	-	-	-	78 232	86 431
Khuphelo T.E.	-	5 682	-	1 837	91	-	-	-	-	-	3 873	11 483
Magaya F.A.	-	5 682	-	1 837	345	-	-	-	-	-	33 468	41 333
Mathe M.S.	-	5 682	-	1 837	346	-	-	-	-	-	33 294	41 159
Matomane R.N. (Ms)	-	5 682	-	1 837	87	-	-	-	-	-	3 153	10 759
Mkrokrelwa M.	-	5 661	-	1 831	262	-	-	-	-	-	22 403	30 156

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Mnyanda V.	-	5 682	-	1 837	284	-	-	-	-	-	25 562	33 365
Mvamveki R.N.	-	5 682	-	1 837	99	-	-	-	-	-	2 793	10 411
Ntshoyi N.P. (Ms)	-	5 682	-	1 837	108	-	-	-	-	-	3 633	11 260
Ruleni S.A.	-	5 682	-	1 837	73	-	-	-	-	-	273	7 865
Thiyeka N. (Ms)	-	3 734	-	1 188	50	-	-	-	-	-	633	5 605
Thwatshuka D.	-	5 682	-	1 837	175	-	-	-	-	-	13 540	21 234
Dlani X.H. (Ms)	-	974	-	467	42	-	-	-	-	-	1 756	3 239
Cwecwe N.N. (Ms)	-	974	-	467	61	-	-	-	-	-	2 366	3 868
Total for Councillors	-	7 398 055	-	2 349 569	341 893	-	-	-	-	-	2 455 232	12 544 749
Municipal Manager												
Hlazo H.T.	-	1 072 355	93 075	180 000	51 022	-	-	-	-	-	124 173	1 520 624
Chief Financial Officer												
Moleko M.E.	-	455 902	19 229	247 719	24 100	-	-	25 573	-	-	33 649	806 173
Strategic Director: Corporate Services												
Nogaga T.T.	-	284 859	-	40 000	15 284	-	-	-	-	-	84 153	424 296
Strategic Director: Planning and Socio-Economic Development												
Somana N.T.	-	267 232	20 894	18 000	11 922	-	-	23 191	-	-	-	341 239
Director: Rural and Economic Development												
Dunywa P.A.X.	-	729 187	-	59 318	30 629	-	-	-	-	-	39 887	859 022
Director: Planning and Development												
Dunywa P.A.X.	-	210 675	21 723	30 955	11 226	-	-	34 183	-	-	23 384	332 146
Director: Infrastructure Engineer												
Khoza S.	-	195 446	15 023	30 000	11 295	-	-	25 573	-	-	80 978	358 315
Director: Human Resources												
Mhlembana V.	-	835 862	73 171	240 000	43 466	-	-	-	-	-	61 311	1 253 811
Director: Technical Services												
Matiso M.	-	-	-	-	-	-	-	-	-	-	-	-
Director: Water Services												
Mzayiya E.	-	144 691	-	13 865	7 544	-	-	25 573	-	-	36 034	227 707
Hlazo O.	-	377 111	-	30 000	15 585	-	-	-	-	-	74 689	497 384
Director: Housing												
Gqawa L.	-	186 933	14 314	48 884	11 136	-	-	25 579	-	-	58 346	345 191
Director: ICT Management												
Molatlhwa J.	-	-	-	-	-	-	-	-	-	-	-	-
Director: Community and Social Affairs												
Hlangu L.	-	204 917	15 812	18 000	11 339	-	-	25 573	-	-	65 919	341 561
Somana N.T.	-	439 981	-	-	13 373	-	-	-	-	-	24 848	478 202
Director: Political Advisor												
Mzamane Z.	-	325 394	-	-	17 204	-	-	216 422	-	-	17 896	576 917

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Director: Chief Operations Officer Mbatani B.	-	216 248	22 342	48 301	32 919	-	-	34 098	-	-	34 220	388 128
Director: Chief of Staff Mbatani B.	-	745 909	-	86 100	32 492	-	-	-	-	-	102 123	966 624
Director: Office of the Executive Mayor Ncube A.	-	188 233	28 844	78 651	11 501	-	-	34 098	-	-	14 065	355 392
Director: Internal Audit Mbiko L.	-	227 603	35 406	36 000	11 703	-	-	38 232	-	-	14 065	363 008
Director: Leagal Services Mgidlana T.	-	199 911	30 790	66 000	11 401	-	-	25 573	-	-	14 065	347 740
Total for Senior Managers	-	7 308 449	390 623	1 271 793	375 141	-	-	533 670	-	-	903 805	10 783 481
Total for Management	-	14 706 504	390 623	3 621 362	717 034	-	-	533 670	-	-	3 359 037	23 328 231

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Executive Mayor												
Myolwa D	-	489 611	-	158 836	101 578	-	-	-	-	-	37 344	787 368
Speaker												
Meth N (Ms)	-	391 689	-	127 068	7 958	-	-	-	-	-	59 353	586 068
Mayoral Committee												
Dyule N.W. (Ms)	-	367 196	-	119 152	7 697	-	-	-	-	-	83 569	577 613
Mambila L.N.	-	367 196	-	119 152	77 066	-	-	-	-	-	119 891	683 304
Mbede B.	-	367 196	-	119 152	76 814	-	-	-	-	-	83 115	646 276
Ngozi W.	-	367 196	-	119 152	76 517	-	-	-	-	-	50 954	613 818
Mlamli S.	-	220 325	-	71 476	33 502	-	-	-	-	-	154 099	479 402
Nkani B.J. (Ms)	-	367 196	-	119 152	76 517	-	-	-	-	-	74 747	637 611
Nogumla R.Z.	-	367 196	-	119 152	76 840	-	-	-	-	-	90 059	653 246
Socikwa M.C.	-	193 744	-	64 581	36 480	-	-	-	-	-	147 603	442 408
Soguntuza N. (Ms)	-	367 196	-	119 152	76 495	-	-	-	-	-	47 956	610 798
Njemla S.N.	-	349 329	-	113 193	7 194	-	-	-	-	-	58 397	528 114
Other Councillors												
Betele S.	-	3 565	-	1 172	108	-	-	-	-	-	6 313	11 159
Capa N.Y. (Ms)	-	5 421	-	1 758	966	-	-	-	-	-	12 313	20 459
Dambuza M.B.	-	219 703	-	73 235	4 356	-	-	-	-	-	38 235	335 530
Dawedi A.M.	-	5 421	-	1 758	384	-	-	-	-	-	37 150	44 712
Dudumayo B.R.	-	357 380	-	119 127	2 017	-	-	-	-	-	90 327	568 851
Gogo M.	-	5 421	-	1 758	438	-	-	-	-	-	47 697	55 314
Khuphelo T.E.	-	5 421	-	1 758	107	-	-	-	-	-	7 153	14 439
Kotana M.P.J.	-	14 425	-	4 680	312	-	-	-	-	-	20 276	39 693
Magaya F.A.	-	5 421	-	1 758	470	-	-	-	-	-	49 354	57 003
Makhedama M.	-	146 884	-	47 651	3 871	-	-	-	-	-	107 073	305 478
Malangeni Z.L.	-	146 884	-	47 651	31 146	-	-	-	-	-	38 461	264 141
Mamve N.N. (Ms)	-	146 884	-	47 651	3 080	-	-	-	-	-	22 318	219 933
Mandita K.	-	146 884	-	47 651	3 873	-	-	-	-	-	122 223	320 631
Mathe M.S.	-	5 421	-	1 758	401	-	-	-	-	-	41 030	48 610
Matomane R.N. (Ms)	-	5 421	-	1 758	131	-	-	-	-	-	11 866	19 175
Mbotshwa N. (Ms)	-	14 425	-	4 680	222	-	-	-	-	-	8 915	28 242
Mgugudo N.O.	-	146 884	11 913	47 651	5 724	-	-	-	-	-	17 638	229 809
Mnvanyashe M.N.	-	146 884	-	47 651	3 204	-	-	-	-	-	24 238	221 976
Mnyanda V.	-	5 421	-	1 758	412	-	-	-	-	-	41 359	48 950
Mvamveki R.N.	-	5 421	-	1 758	110	-	-	-	-	-	4 153	11 442
Mziba L. (Ms)	-	5 421	-	1 758	243	-	-	-	-	-	25 305	32 727
Ndude L.M.	-	146 884	-	47 651	3 183	-	-	-	-	-	20 038	217 755
Ndzwayiba M.W.	-	146 884	-	47 651	30 981	-	-	-	-	-	17 638	243 153
Njemla S.N.	-	349 329	-	113 193	7 194	-	-	-	-	-	58 397	528 114
Nkungu M.I.	-	5 421	-	1 758	646	-	-	-	-	-	74 963	82 788
Ntobongwana N.	-	367 196	-	119 152	76 936	-	-	-	-	-	102 843	666 126
Ntshoyi N.P. (Ms)	-	5 421	-	1 758	130	-	-	-	-	-	6 193	13 502
Ntshuba V.W.	-	146 884	-	47 651	31 005	-	-	-	-	-	22 558	248 098
Pepping P.N.	-	146 884	-	47 651	31 527	-	-	-	-	-	90 406	316 468
Ruleni S.A.	-	5 421	-	1 758	74	-	-	-	-	-	2 233	9 486
Sigcau M.	-	146 884	-	47 651	30 997	-	-	-	-	-	20 878	246 409
Thiyeka N. (Ms)	-	5 421	-	1 758	100	-	-	-	-	-	6 313	13 592
Thwatshuka D.	-	5 421	-	1 758	443	-	-	-	-	-	50 423	58 046
Xangayi C.T.	-	146 884	-	47 651	28 516	-	-	-	-	-	52 910	275 960
Zweni R.M.	-	14 425	-	4 680	242	-	-	-	-	-	10 715	30 062
Total for Councillors	-	7 399 431	11 913	2 407 322	958 207	-	-	-	-	-	2 316 990	13 093 862

Incumbent	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Other Short-term Benefits	Post-employment Benefits	Termination Benefits	Other Long-term Benefits	Commissions, Gains or Surpluses	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R	R	R	R	R	R	R
Municipal Manager Hlazo H.T.	-	1 028 351	81 110	180 000	38 411	-	-	-	-	-	143 377	1 471 248
Chief Financial Officer Moleko M.E.	-	727 652	62 745	314 601	34 550	-	-	-	-	-	277 591	1 417 138
Strategic Director: Corporate Services Nogaga T.T.	-	827 064	71 215	120 000	37 412	-	-	-	-	-	478 108	1 533 798
Strategic Director: Planning and Socio-Economic Development Somana N.T.	-	1 041 417	89 077	72 000	36 610	-	-	-	-	-	177 048	1 416 152
Director: Planning and Development Dunywa P.A.X.	-	817 417	70 225	123 820	33 958	-	-	-	-	-	290 819	1 336 240
Director: Infrastructure Engineer Khoza S.	-	536 152	82 374	120 000	14 860	-	-	-	-	-	270 881	1 024 268
Director: Human Resources Mhlembana V.	-	796 514	68 483	240 000	44 614	-	-	-	-	-	43 663	1 193 274
Director: Technical Services Matiso M.	-	143 138	-	13 000	2 404	-	-	40 324	-	-	30 212	229 078
Director: Water Services Mzayiya E.	-	842 865	72 346	83 188	35 175	-	-	-	-	-	440 305	1 473 878
Director: Housing Gqawa L.	-	722 448	62 311	195 535	33 480	-	-	-	-	-	271 219	1 284 992
Director: ICT Management Molathwa J.	-	721 637	58 159	51 591	23 388	-	-	-	-	-	101 164	955 939
Director: Community and Social Affairs Hlangu L.	-	794 387	68 306	72 000	32 671	-	-	-	-	-	211 106	1 178 470
Director: Political Advisor Mzamane Z.	-	1 107 034	94 193	-	35 366	-	-	-	-	-	27 514	1 264 107
Director: Chief Operations Officer Mbatani B.	-	839 710	72 083	193 204	34 603	-	-	-	-	-	274 666	1 414 265
Director: Office of the Executive Mayor Ncube A.	-	727 650	62 744	314 603	32 731	-	-	-	-	-	90 570	1 228 298
Director: Internal Audit Mbiko L.	-	885 129	75 868	144 000	35 396	-	-	-	-	-	328 179	1 468 571
Director: Leagal Services Mgidlana T.	-	774 360	66 637	264 000	33 507	-	-	-	-	-	167 795	1 306 299
Total for Senior Managers	-	13 332 923	1 157 874	2 501 542	539 135	-	-	40 324	-	-	3 624 218	21 196 015
Total for Management	-	20 732 354	1 169 787	4 908 864	1 497 342	-	-	40 324	-	-	5 941 207	34 289 877

APPENDIX H
OR TAMBO DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2014

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2014	2013		
1. FINANCIAL POSITION								
A. Asset Management / Utilisation								
1. Capital Expenditure to Total Expenditure	Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	10% - 20%		0.00%	26.75%	Refer to Page 2 of MFMA Circular No 71	
				Total Operating Expenditure	1 414 476 722	1 155 313 828		
				Taxation Expense	-	-		
				Total Capital Expenditure	-	421 925 755		
2. Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	Property, Plant and Equipment + Investment Property + Intangible Assets Impairment / (Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100	Statement of Financial Position, Notes to the AFS and AR	0%		0.00%	0.00%	Refer to Page 3 of MFMA Circular No 71	
				PPE, Investment Property & Intangible Impairment	-	-		
				PPE at Carrying Value	3 549 437 231	3 162 477 315		
				IP at Carrying Value	2 200 000	2 200 000		
				Intangible Assets at Carrying Value	156 846	156 846		
3. Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying value) x 100	Statement of Financial Position, Statement of Financial Performance, IDP, Budgets and In-year Reports	8%		0.65%	1.83%	Refer to Page 4 of MFMA Circular No 71	
				Total Repairs and Maintenance Expenditure	23 001 974	58 037 423		
				PPE at Carrying Value	3 549 437 231	3 162 477 315		
				Investment Property at Carrying Value	2 200 000	2 200 000		
B. Debtors Management								
1. Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written-off) / Billed Revenue x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports, IDP and AR	95%		70.79%	67.06%	Refer to Page 5 of MFMA Circular No 71	
				Gross Debtors Closing Balance	392 868 749	340 846 886		
				Gross Debtors Opening Balance	340 846 886	290 878 745		
				Bad Debts Written-off	-	203 873		
				Billed Revenue	178 067 484	152 330 138		
2. Bad Debts Written-off as % of Provision for Bad Debt	Bad Debts Written-off / Provision for Bad Debts x 100	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	100%		0.00%	0.28%	Refer to Page 5 of MFMA Circular No 71	
				Consumer Debtors Bad Debts Written-off	-	203 873		
				Consumer Debtors Current Bad Debt Provision	35 636 005	73 636 005		
3. Net Debtors Days	((Gross Debtors - Bad Debt Provision) / Actual Billed Revenue) x 365	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget and AR	30 Days		126 Days	108 Days	Refer to Page 6 of MFMA Circular No 71	
				Gross Debtors	392 868 749	340 846 886		
				Bad Debts Provision	331 346 149	295 710 144		
				Billed Revenue	178 067 484	152 330 138		
C. Liquidity Management								
1. Cash / Cost Coverage Ratio (Excluding Unspent Conditional Grants)	((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short-term Investment) / Monthly Fixed Operational Expenditure excluding (Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)	Statement of Financial Position, Statement of Financial Performance, Notes to the AFS, Budget, In-year Reports and AR	1 - 3 Months		2 Months	0 Months	Refer to Page 7 of MFMA Circular No 71	
				Cash and Cash Equivalents	204 255 070	193 083 992		
				Unspent Conditional Grants	25 589 557	195 302 702		
				Overdraft	-	-		
				Short-term Investments	-	-		
				Total Annual Operational Expenditure	1 161 690 584	932 761 511		
2. Current Ratio	Current Assets / Current Liabilities	Statement of Financial Position, Budget, IDP and AR	1.5 - 2:1		1.01	1.09	Refer to Page 7 of MFMA Circular No 71	
				Current Assets	414 569 743	505 202 863		
				Current Liabilities	410 357 551	463 964 111		

APPENDIX H
OR TAMBO DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2014

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2014	2013		
C. Liability Management								
1. Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure	Capital Cost (Interest Paid and Redemption) / Total Operating Expenditure x 100	Statement of Financial Position, Statement of Cash Flows, Statement of Financial Performance, Budget, IDP, In-year Reports and AR	6% - 8%		-0.04%	0.03%	Refer to Page 8 of MFMA Circular No 71	
				Interest Paid	-	953 907		
				Redemption	(500 674)	(627 954)		
				Total Operating Expenditure	1 414 476 722	1 155 313 828		
				Taxation Expense	-	-		
2. Debt (Total Borrowings) / Revenue	(Overdraft + Current Finance Lease Obligation + Non-current Finance Lease Obligation + Short-term Borrowings + Long-term Borrowings) / (Total Operating Revenue - Operational Conditional Grants) x 100	Statement of Financial Position, Statement of Financial Performance, Budget, IDP and AR	45%		0.08%	0.00%	Refer to Page 9 of MFMA Circular No 71	
				Total Debt	1 011 904	-		
				Total Operating Revenue	1 856 284 355	-		
				Operational Conditional Grants	593 084 846	449 848 576		
C. Sustainability								
1. Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	(Cash and Cash Equivalents - Bank Overdraft + Short-term Investment + Long-term Investment - Unspent Grants) / (Net Assets - Accumulated Surplus - Non-controlling Interest Share Premium - Share Capital - Fair Value Adjustment - Revaluation Reserve) x 100	Statement Financial Position, Budget and AR	100%		100.00%	100.00%	Refer to Page 9 of MFMA Circular No 71	
				Cash and Cash Equivalents	204 255 070	193 083 992		
				Bank Overdraft	-	-		
				Short Term Investment	-	-		
				Long Term Investment	-	-		
				Unspent Grants	25 589 557	195 302 702		
				Net Assets	3 560 661 281	3 208 967 994		
				Share Premium	-	-		
				Share Capital	-	-		
				Revaluation Reserve	68 329 926	68 329 926		
Fair Value Adjustment Reserve	-	-						
Accumulated Surplus	3 492 331 355	3 140 638 068						
2. FINANCIAL PERFORMANCE								
A. Efficiency								
1. Net Operating Surplus Margin	(Total Operating Revenue - Total Operating Expenditure) / Total Operating Revenue	Statement of Financial Performance, Budget, In-year Reports, AR, Statement of Comparison of Budget and Actual Amounts and Statement of Changes in Net Assets	= or > 0%		23.47%	25.57%	Refer to Page 10 of MFMA Circular No 71	
				Total Operating Revenue	1 847 659 069	1 543 820 627		
				Depreciation - Revalued Portion	-	-		
				Total Operating Expenditure	1 413 950 968	1 149 059 566		
				Taxation Expense	-	-		
2. Net Surplus / Deficit Electricity	Total Electricity Revenue less Total Electricity Expenditure / Total Electricity Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	0% - 15%		0.00%	0.00%	Refer to Page 10 of MFMA Circular No 71	
				Total Electricity Revenue	-	-		
				Total Electricity Expenditure	-	-		
3. Net Surplus / Deficit Water	Total Water Revenue less Total Water Expenditure/Total Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		0.19%	-39.40%	Refer to Page 11 of MFMA Circular No 71	
				Total Water Revenue	1 046 426 122	799 642 403		
				Total Water Expenditure	1 044 419 749	1 114 727 762		
4. Net Surplus / Deficit Refuse	Total Refuse Revenue less Total Refuse Expenditure/Total Refuse Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		0.00%	0.00%	Refer to Page 12 of MFMA Circular No 71	
				Total Refuse Revenue	-	-		
				Total Refuse Expenditure	-	-		
5. Net Surplus / Deficit Sanitation and Waste Water	Total Sanitation and Waste Water Revenue less Total Sanitation and Waste Water Expenditure/Total Sanitation and Waste Water Revenue x 100	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= or > 0%		0.00%	0.00%	Refer to Page 12 of MFMA Circular No 71	
				Total Sanitation and Waste Water Revenue	-	-		
				Total Sanitation and Waste Water Expenditure	-	-		

APPENDIX H
OR TAMBO DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2014

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2014	2013		
B. Distribution Losses								
1. Electricity Distribution Losses (Percentage)	$(\text{Number of Electricity Units Purchased and/or Generated} - \text{Number of Units Sold}) / \text{Number of Electricity Units Purchased and/or Generated} \times 100$	Annual Report, Audit Report and Notes to Annual Financial Statements	7% - 10%	Number of Units Purchased and/or Generated Number of Units Sold	0.00% -	0.00% -	Refer to Page 13 of MFMA Circular No 71	
2. Water Distribution Losses (Percentage)	$(\text{Number of Kilolitres Water Purchased or Purified} - \text{Number of Kilolitres Water Sold}) / \text{Number of Kilolitres Water Purchased or Purified} \times 100$	Annual Report, Audit Report and Notes to Annual Financial Statements	15% - 30%	Number of Kilolitres Purchased and/or Purified Number of Kilolitres Sold	138.58% (11 128 349)	139.26% (10 934 499)	Refer to Page 13 of MFMA Circular No 71	
C. Revenue Management								
1. Growth in Number of Active Consumer Accounts	$(\text{Period under Review's Number of Active Debtor Accounts} - \text{Previous Period's Number of Active Debtor Accounts}) / \text{Previous Number of Active Debtor Accounts} \times 100$	Debtors System	None	Number of Active Debtors Accounts (Previous) Number of Active Debtors Accounts (Current)	0.00% -	0.00% -	Refer to Page 14 of MFMA Circular No 71	
2. Revenue Growth (%)	$(\text{Period under Review's Total Revenue} - \text{Previous Period's Total Revenue}) / \text{Previous Period's Total Revenue} \times 100$	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	= CPI	CPI Total Revenue (Previous) Total Revenue (Current)	19.90% 7.00% 1 548 131 816	65.01% 7.00% 938 214 525	Refer to Page 15 of MFMA Circular No 71	
3. Revenue Growth (%) - Excluding Capital Grants	$(\text{Period under Review's Total Revenue, excluding Capital Grants} - \text{Previous Period's Total Revenue, excluding Capital Grants}) / \text{Previous Period's Total Revenue, excluding Capital Grants} \times 100$	Statement of Financial Performance, Notes to AFS, Budget, IDP, In-year Reports and AR	= CPI	CPI Total Revenue, excluding Capital Grants (Previous) Total Revenue, excluding Capital Grants (Current)	24.08% 7.00% 719 123 935	17.52% 7.00% 611 942 144	Refer to Page 15 of MFMA Circular No 71	
D. Expenditure Management								
1. Creditors Payment Period (Trade Creditors)	$(\text{Trade Creditors Outstanding} / \text{Credit Purchases (Operating and Capital)}) \times 365$	Statement of Financial Performance, Notes to AFS, Budget, In-year Reports and AR	30 Days	Trade Creditors Contracted Services Repairs and Maintenance General Expenses Bulk Purchases Capital Credit Purchases	0 Days #REF! 22 199 567 23 001 974 730 327 984 40 105 296 606 985 158	0 Days #REF! 20 102 135 58 037 423 459 357 567 78 243 815 423 424 206	Refer to Page 16 of MFMA Circular No 71	
2. Irregular, Fruitless & Wasteful and Unauthorised Expenditure / Total Operating Expenditure	$(\text{Irregular, Fruitless \& Wasteful and Unauthorised Expenditure}) / \text{Total Operating Expenditure} \times 100$	Statement Financial Performance, Notes to Annual Financial Statements and AR	0%	Irregular, Fruitless & Wasteful and Unauthorised Expenditure Total Operating Expenditure Taxation Expense	0.74% 10 426 859 1 414 476 722	12.45% 143 860 597 1 155 313 828	Refer to Page 16 of MFMA Circular No 71	
3. Remuneration as % of Total Operating Expenditure	$(\text{Remuneration (Employee Related Costs and Councillors' Remuneration)}) / \text{Total Operating Expenditure} \times 100$	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	25% - 40%	Employee / Personnel Related Cost Councillors Remuneration Total Operating Expenditure Taxation Expense	20.73% 281 891 705 11 310 100 1 414 476 722	20.69% 227 482 673 11 498 076 1 155 313 828	Refer to Page 17 of MFMA Circular No 71	
4. Contracted Services % of Total Operating Expenditure	$(\text{Contracted Services} / \text{Total Operating Expenditure}) \times 100$	Statement of Financial Performance, Budget, IDP, In-year Reports and AR	2% - 5%	Contracted Services Total Operating Expenditure Taxation Expense	1.57% 22 199 567 1 414 476 722	1.74% 20 102 135 1 155 313 828	Refer to Page 17 of MFMA Circular No 71	

APPENDIX H
OR TAMBO DISTRICT MUNICIPALITY
RATIO ANALYSIS SCHEDULE FOR THE YEAR ENDED 30 JUNE 2014

Ratio	Formula	Data Source	Norm / Range	Input Description	Data Inputs and Results		Interpretation	Management Comments (#)
					2014	2013		
E. Grant Dependency								
1.	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) + Borrowings / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		0.00%	0.00%	Refer to Page 18 of MFMA Circular No 71
				Internally Generated Funds	-	-		
				Borrowings	-	-		
				Total Capital Expenditure	-	-		
2.	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	(Own funded Capital Expenditure (Internally Generated Funds) / Total Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, Notes to the Annual Financial Statements (Statement of Comparative and Actual Information), Budget, IDP, In-year Reports and AR	None		0.00%	0.00%	Refer to Page 18 of MFMA Circular No 71
				Internally Generated Funds	-	-		
				Total Capital Expenditure	-	-		
3.	Own Source Revenue to Total Operating Revenue (Including Agency Revenue)	(Own Source Revenue (Total Revenue - Government Grants and Subsidies - Public Contributions and Donations) / Total Operating Revenue (including Agency Services)) x 100	Statement Financial Performance, Budget, IDP, In-year Reports and AR	None		33.53%	37.44%	Refer to Page 18 of MFMA Circular No 71
				Total Revenue	1 856 284 355	1 548 131 816		
				Government Grant and Subsidies	1 557 107 259	1 278 856 457		
				Public Contributions and Donations	-	-		
				Capital Grants	964 022 413	829 007 881		
3. BUDGET IMPLEMENTATION								
A. Efficiency								
1.	Capital Expenditure Budget Implementation Indicator	(Actual Capital Expenditure / Budgeted Capital Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, In-year Reports and AR	95% - 100%		0.00%	38.29%	Refer to Page 19 of MFMA Circular No 71
				Actual Capital Expenditure	-	421 925 755		
				Budgeted Capital Expenditure	941 897 575	1 101 779 273		
2.	Operating Expenditure Budget Implementation Indicator	(Actual Operating Expenditure / Budgeted Operating Expenditure) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		76.37%	56.00%	Refer to Page 20 of MFMA Circular No 71
				Actual Operating Expenditure	1 414 476 722	1 155 313 828		
				Budgeted Operating Expenditure	1 852 025 475	2 063 165 382		
3.	Operating Revenue Budget Implementation Indicator	(Actual Operating Revenue / Budgeted Operating Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		100.85%	81.44%	Refer to Page 20 of MFMA Circular No 71
				Actual Operating Revenue	1 856 284 355	1 548 131 816		
				Budgeted Operating Revenue	1 840 637 923	1 900 856 153		
4.	Service Charges and Property Rates Revenue Budget Implementation Indicator	(Actual Service Charges and Property Rates Revenue / Budgeted Service Charges and Property Rates Revenue) x 100	Statement of Financial Position, Budget, AFS Appendices, IDP, In-year Reports and AR	95% - 100%		55.79%	59.06%	Refer to Page 21 of MFMA Circular No 71
				Actual Service Charges and Property Rates Revenue	150 061 034	127 871 676		
				Budgeted Service Charges and Property Rates Revenue	268 960 000	216 500 000		
Interpretation of Results:								
<div style="display: flex; justify-content: space-between;"> <div style="width: 20px; height: 10px; background-color: #90EE90; border: 1px solid black;"></div> The green colour indicates that the result is within the norm and is acceptable. </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="width: 20px; height: 10px; background-color: #FF0000; border: 1px solid black;"></div> The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results. </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="width: 20px; height: 10px; background-color: #ADD8E6; border: 1px solid black;"></div> Data should be captured in the blue coloured cell to calculate a ratio. </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div style="width: 20px; height: 10px; border: 1px solid black; display: flex; align-items: center; justify-content: center;">#</div> In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced. </div>								