



Mopani District Municipality
(Demarcation code DC33)
Annual financial statements
for the year ended 30 June 2014

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

General Information

Nature of business and principal activities

- Provision of a democratic and accountable Local Government for communities in the Mopani District area;
- Ensuring the provision of services to these communities in a sustainable manner;
- Promotion of social and economic development;
- Promotion a safe and healthy environment; and
- Encourage the involvement of communities and community organisations in the matters of Local Government in the Mopani District

Mayoral committee

Executive Mayor

Speaker

Chief Whip

Mayoral Committee

Matlou L.J
Mathonsi N.V
Mushwana O.J
Lewele M
Machethe L.N
Manganyi H.G
Nkuna C
Ramaremela T.P
Moshobane S.H
Hlatswayo C
Ngobeni A
Maloko M.L
Nkanyani R.P
Mabasa M.H
Raganya M.P
Monyela K.J
Mokoele S.G
Cronje P.W
Mabunda M.A
Makhubele P.P
Baloyi H.I
Makhubele T.A
Mushwana T.J
Rikhotso A
Rikhotso M.Q
Ncha M.L
Moshwana D.G
Mohale N.L
Ndove D.L
Mbhalati J.H.S
Sibiya M
Mokgobi M.L
Mafona M.E
Selowa G
Magoro M.C
Senyolo T
Mamogale C
Flemming G.J
Makwala M.O
Mashele G
Mametja M.R

MPAC Chairperson

Other Councillors

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

General Information

	Makhurupetji - Malatji M.G Makwala S.C Mashele M.B Mohlala M.F Manthlakga A.M Rababalela T.J Mabale S.P Malesa G Makhubele B.M
Grading of local authority	4
Accounting Officer	Maake M.T
Acting - Chief Finance Officer (CFO)	Lebopa K.B
Registered office	Government Building Main Road Giyani 0826
Business address	Government Building Main Road Giyani 0826
Postal address	Private Bag X9687 Giyani 0826
Website	www.mopani.gov.za
Currency	South African Rands
Rounding off	Nearest Rand
Bankers	ABSA
Auditors	Auditor General
Audit Committee	Modipane T.C (Chairperson) Mudau F.J Ngobeni S.A.B Hlomane G.H Adv. Kholong S.T
Lawyers	Mahowa Attorneys Inc Magabe Inc Attorneys Lebea and Associates Modjadji Raphesu Inc

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

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

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Abbreviations

CoGHSTA	Department of Co-Operative Governance, Human Settlements and Traditional Affairs
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

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

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

The unaudited annual financial statements set out on page 5 to 68, which have been prepared on the going concern basis, were approved by the Accounting Officer on 29 August 2014 and were signed on its behalf by

Accounting Officer
Designation

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Inventories	6	34,667,088	26,172,541
Other financial assets	5	-	5,600,000
Receivables from exchange transactions	7	262,508,187	340,825,316
VAT receivable	8	32,546,442	-
Consumer debtors	9	270,755,610	167,445,686
Cash and cash equivalents	10	83,126,281	-
		683,603,608	540,043,543
Non-Current Assets			
Property, plant and equipment	3	4,708,061,777	4,732,034,978
Intangible assets	4	10,380,783	10,587,148
Other financial assets	5	-	189,052
		4,718,442,560	4,742,811,178
Non-Current Assets		4,718,442,560	4,742,811,178
Current Assets		683,603,608	540,043,543
Total Assets		5,402,046,168	5,282,854,721
Liabilities			
Current Liabilities			
Finance lease obligation	11	-	416,414
Payables from exchange transactions	14	695,774,371	538,967,346
VAT payable		-	752,632
Consumer deposits	15	3,492,850	3,930,536
Unspent conditional grants and receipts	12	219,194,195	215,059,146
Provisions	13	23,981,416	10,657,062
Bank overdraft	10	-	6,787,631
		942,442,832	776,570,767
Non-Current Liabilities			
Provisions	13	34,865,468	49,289,845
Non-Current Liabilities		34,865,468	49,289,845
Current Liabilities		942,442,832	776,570,767
Liabilities of disposal groups		-	-
Total Liabilities		977,308,300	825,860,612
Assets		5,402,046,168	5,282,854,721
Liabilities		(977,308,300)	(825,860,612)
Net Assets		4,424,737,868	4,456,994,109
Net Assets			
Accumulated surplus		4,424,737,868	4,456,994,109

* See Note 36

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from Exchange Transactions			
Service charges	17	137,642,728	165,015,010
Interest earned - Outstanding receivables		2,681,864	13,927,967
Other income	19	3,042,127	12,907,778
Interest received		2,858,966	676,173
Revenue from Non - Exchange Transactions			
Government grants & subsidies	18	997,806,539	762,038,873
Total revenue		1,144,032,224	954,565,801
Expenditure			
Employee costs	21	(207,052,796)	(222,961,837)
Remuneration of Councillors	22	(8,380,164)	(8,255,733)
Regional Bulk Infrastructure Projects Expenditure	23	(71,449,541)	-
Mopani Household Sanitation		(197,601,189)	(105,703,237)
Depreciation and amortisation	26	(163,686,795)	(138,456,612)
Impairment loss/ Reversal of impairments		-	(17,234,114)
Finance costs	27	(607,869)	(502,802)
Debt impairment	24	(21,798,680)	(50,431,820)
Repairs and maintenance		(120,164,109)	(85,225,709)
Bulk purchases	31	(252,494,974)	(193,935,946)
Contracted services	29	(29,657,727)	(23,863,686)
Grants and subsidies paid	30	(3,745,480)	(4,052,745)
General Expenses	20	(99,359,012)	(96,186,769)
Total expenditure		(1,175,998,336)	(946,811,010)
Total revenue		1,144,032,224	954,565,801
Total expenditure		(1,175,998,336)	(946,811,010)
Operating (deficit) surplus		(31,966,112)	7,754,791
Loss on disposal of assets and liabilities		(290,126)	(10,620,185)
Deficit before taxation		(32,256,238)	(2,865,394)
Deficit for the year		(32,256,238)	(2,865,394)

* See Note 36

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	(1,915,020,950)	(1,915,020,950)
Adjustments		
Correction of errors	(2,544,838,549)	(2,544,838,549)
Balance at 01 July 2012 as restated*	4,459,859,503	4,459,859,503
Changes in net assets		
Surplus for the year	(2,865,394)	(2,865,394)
Total changes	(2,865,394)	(2,865,394)
Restated* Balance at 01 July 2013	4,456,994,106	4,456,994,106
Changes in net assets		
Surplus for the year	(32,256,238)	(32,256,238)
Total changes	(32,256,238)	(32,256,238)
Balance at 30 June 2014	4,424,737,868	4,424,737,868
Note(s)		

* See Note 36

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Grants		1,019,103,612	748,154,486
Interest income		2,858,966	676,173
Other receipts		16,625,831	14,492,334
		1,038,588,409	763,322,993
Payments			
Employee costs		(217,031,870)	(230,657,970)
Suppliers		(597,139,006)	(343,790,400)
Finance costs		(607,869)	(502,802)
		(814,778,745)	(574,951,172)
Total receipts		1,038,588,409	763,322,993
Total payments		(814,778,745)	(574,951,172)
Net cash flows from operating activities	32	223,809,664	188,371,821
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(139,844,173)	(195,553,465)
Proceeds from sale of property, plant and equipment	3	1,549,091	12,457,768
Purchase of intangible assets	4	(683,182)	-
Loss on disposal of assets	4	(290,126)	(10,620,185)
Proceeds from sale of financial assets		5,789,052	4,550,000
Net cash flows from investing activities		(133,479,338)	(189,165,882)
Cash flows from financing activities			
Repayment of other financial liabilities		-	(8,400,000)
Finance lease payments		(416,414)	(822,854)
Net cash flows from financing activities		(416,414)	(9,222,854)
Net increase/(decrease) in cash and cash equivalents		89,913,912	(10,016,915)
Cash and cash equivalents at the beginning of the year		(6,787,631)	3,229,284
Cash and cash equivalents at the end of the year	10	83,126,281	(6,787,631)

* See Note 36

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	144,553,353	32,776,219	177,329,572	137,642,728	(39,686,844)	
Interest earned - Outstanding receivables	19,311,403	-	19,311,403	2,681,864	(16,629,539)	
Other income	5,180,000	(1,040,813)	4,139,187	3,042,127	(1,097,060)	
Interest received	-	-	-	2,858,966	2,858,966	
Total revenue from exchange transactions	169,044,756	31,735,406	200,780,162	146,225,685	(54,554,477)	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	528,049,000	(1,739,000)	526,310,000	997,806,539	471,496,539	
'Total revenue from exchange transactions'	169,044,756	31,735,406	200,780,162	146,225,685	(54,554,477)	
'Total revenue from non-exchange transactions'	528,049,000	(1,739,000)	526,310,000	997,806,539	471,496,539	
Total revenue	697,093,756	29,996,406	727,090,162	1,144,032,224	416,942,062	
Expenditure						
Personnel	(306,137,180)	57,086,656	(249,050,524)	(207,052,796)	41,997,728	
Remuneration of councillors	(9,085,243)	(650,885)	(9,736,128)	(8,380,164)	1,355,964	
Regional Bulk Water Infrastructure Projects Expenditure	-	-	-	(71,449,541)	(71,449,541)	
Mopani Household Sanitation	-	-	-	(197,601,189)	(197,601,189)	
Depreciation and amortisation	(137,510,403)	141	(137,510,262)	(163,686,795)	(26,176,533)	
Finance costs	(650,000)	-	(650,000)	(607,869)	42,131	
Debt impairment	(19,530,801)	(1,080,294)	(20,611,095)	(21,798,680)	(1,187,585)	
Repairs and maintenance	(112,229,706)	(35,480,695)	(147,710,401)	(120,164,109)	27,546,292	
Bulk purchases	(69,080,645)	(39,040,000)	(108,120,645)	(252,494,974)	(144,374,329)	
Contracted Services	(13,465,551)	906,000	(12,559,551)	(29,657,727)	(17,098,176)	
Grants and subsidies paid	-	-	-	(3,745,480)	(3,745,480)	
General Expenses	(105,829,523)	8,173,288	(97,656,235)	(99,359,012)	(1,702,777)	
Total expenditure	(773,519,052)	(10,085,789)	(783,604,841)	(1,175,998,336)	(392,393,495)	
	697,093,756	29,996,406	727,090,162	1,144,032,224	416,942,062	
	(773,519,052)	(10,085,789)	(783,604,841)	(1,175,998,336)	(392,393,495)	
Operating deficit	(76,425,296)	19,910,617	(56,514,679)	(31,966,112)	24,548,567	
Loss on disposal of assets and liabilities	-	-	-	(290,126)	(290,126)	
	(76,425,296)	19,910,617	(56,514,679)	(31,966,112)	24,548,567	
	-	-	-	(290,126)	(290,126)	
Deficit before taxation	(76,425,296)	19,910,617	(56,514,679)	(32,256,238)	24,258,441	
Surplus before taxation	(76,425,296)	19,910,617	(56,514,679)	(32,256,238)	24,258,441	
Taxation	-	-	-	-	-	

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(76,425,296)	19,910,617	(56,514,679)	(32,256,238)	24,258,441	

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

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

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

Allowance for slow moving, damaged and obsolete stock

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

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions.

Effective interest rate

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

Allowance for doubtful debts

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

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Cash and Cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

Trade and payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Events after balance sheet date

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the Balance Sheet date. Events after the Balance Sheet date that are indicative of conditions that arose after the Balance Sheet date are with by way of note to the Financial Statements.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

Item	Average useful life
Land	Indefinite
Buildings	30 Years
Plant and machinery	4 - 10 Years
Furniture and fixtures	5 - 7 Years
Motor vehicles	7 - 15 Years
Office equipment	4 - 5 Years
IT equipment	4 Years
Specialised Vehicles	15 Years
Water Reservoirs and reticulation	5 - 60 Years
Sewerage Purification	5 - 60 Years

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

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

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

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

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

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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Accounting Policies

1.5 Intangible assets (continued)

An intangible asset is recognised when:

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

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Licenses and franchises	3 years
Computer software, other	3 years
Blyde Water Utility	20 years

Intangible assets are derecognised:

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

The gain or loss from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.6 Financial instruments (continued)

The amortised cost of a financial asset or financial liability 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 method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) 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. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
 - receive cash or another financial asset from another municipality; or
 - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.6 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Mopani District Municipality

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Accounting Policies

1.6 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and Cash Equivalents	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Loans and receivables	Financial asset measured at amortised cost
Held-to-Maturity Investments	Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other Financial Liabilities	Financial liability measured at amortised cost
Trade and Other Payables	Financial liability measured at amortised cost
Consumer Deposits	Financial liability measured at fair value

The municipality has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Mopani District Municipality

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Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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Accounting Policies

1.6 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

? the contractual rights to the cash flows from the financial asset expire, are settled or waived;

? the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset;

or

? the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred

control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated

third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the municipality:

- derecognises the asset; and

- recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on

the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values

at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised

in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is

extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as

having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification

of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability

and having recognised a new financial liability.

The difference between the carrying amount of a 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, is recognised in

surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction

are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers). Financial assets measured at cost:

Mopani District Municipality

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Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The Municipality derecognises financial assets using trade date accounting.

The Municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the Municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the Municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the Municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the Municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the Municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The Municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Mopani District Municipality

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Accounting Policies

1.6 Financial instruments (continued)

The difference between the carrying amount of a 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, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another Municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.7 Taxation

Valued Added Tax

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

1.8 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.9 Inventories

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

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

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

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

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

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

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

Mopani District Municipality

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Accounting Policies

1.9 Inventories (continued)

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

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

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

1.10 Change in Accounting Policy, Accounting Estimates and Prior Period Errors.

1.10.1 Change in accounting estimate

Change in accounting estimate is an adjustment of the carrying amount of an asset or a liability, or the amount of the periodic consumption of an asset, that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Contractor is an entity that performs construction work pursuant to a construction contract.

Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. Any changes to the relevant financial items (associated with assets and liabilities) are made prospectively.

1.10.2 Change in accounting policy

Accounting policies are the specific principles, bases, rules and practices applied by a municipality in preparing and presenting financial statements. Any changes to these policies arising from new or amended GRAP standards will be applied wither retrospectively or prospectively if transitional provisions exists.

1.10.3 Prior period Errors

Prior period errors are omissions from and misstatements in the municipality's financial statements for one or more prior periods arising from a failure to use or misuse of reliable information that

(a) was available when financial statements for those periods were authorised for issue and

(b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements. Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts and fraud

1.11 Non-current assets held for sale and disposal groups

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

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

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

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

1.12 Impairment of cash-generating assets

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

Mopani District Municipality

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follows:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

Mopani District Municipality

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

Mopani District Municipality

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

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

Useful life is either:

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

1.14 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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Accounting Policies

1.14 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Mopani District Municipality

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Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Mopani District Municipality

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Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.14 Employee benefits (continued)

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Mopani District Municipality

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Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Long term service awards

Employees qualify for additional leave for various period of uninterrepted service in accordance with SALGBC condition of service. The long term service award measured in accordance with GRAP 25 through an actuarial valuation.

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Mopani District Municipality

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Accounting Policies

1.14 Employee benefits (continued)

Accumulated leave days

Accumulated leave benefit accrues to employees up to maximum of 48 leave days. The benefits are paid in the events of death, disability, retrenchment or/and retirement. Employees who have leave days in excess of the 48 days for periods, before the conditions of service came to effect, are measured in accordance with GRAP 25 through an actuarial valuation

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Mopani District Municipality

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Accounting Policies

1.15 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

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

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

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

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

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

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

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

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.15 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

If the related asset is measured using the revaluation model:

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

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

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

Termination Benefits

The municipality recognises termination benefits as a liability and an expense when the municipality is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the municipality has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate

discount rate. The rate used to discount the benefit reflects the time value of money.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2014. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

Mopani District Municipality

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Accounting Policies

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Interest, royalties and dividends

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

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

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

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

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

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.18 Borrowing costs

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

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

1.19 Comparative figures

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

Budget information in accordance with GRAP 1 and GRAP 24 has been provided in a note to these financial statements and forms part of the unaudited financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure as defined in section 32 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

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

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

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

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.23 Budget information

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

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

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

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Commitments

A commitment arises when a decision is made to incur a liability e.g purchase order, delivery schedules or contract for construction of infrastructure assets. A commitment becomes a liability when the intention agree to an outflow of resources, outflow of resources becomes a present obligation.

Mopani District Municipality

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Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">GRAP 18: Segment Reporting	01 April 2016	No impact
<ul style="list-style-type: none">GRAP 105: Transfers of functions between entities under common control	01 April 2014	No impact as the Municipality is not under common control
<ul style="list-style-type: none">GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No impact as no transfer of functions are anticipated in the foreseeable future
<ul style="list-style-type: none">GRAP 107: Mergers	01 April 2014	No impact as no merger is anticipated in the foreseeable future
<ul style="list-style-type: none">GRAP 20: Related parties	01 April 2014	No material impact

Mopani District Municipality

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3. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	11,980,776	-	11,980,776	11,910,776	-	11,910,776
Buildings	110,308,263	(7,028,625)	103,279,638	102,952,053	(5,699,191)	97,252,862
Infrastructure	7,584,050,275	(3,029,731,877)	4,554,318,398	7,456,398,475	(2,871,888,354)	4,584,510,121
Other property, plant and equipment	44,206,177	(6,155,212)	38,050,965	40,989,105	(3,059,886)	37,929,219
Heritage	432,000	-	432,000	432,000	-	432,000
Total	7,750,977,491	(3,042,915,714)	4,708,061,777	7,612,682,409	(2,880,647,431)	4,732,034,978

Mopani District Municipality

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Under Construction additions	Disposals	Depreciation	Total
Land	11,910,776	800,000	-	(730,000)	-	11,980,776
Buildings	97,252,862	3,020,016	4,336,194	-	(1,329,434)	103,279,638
Infrastructure	4,584,510,121	27,039,069	100,612,731	-	(157,843,523)	4,554,318,398
Other property, plant and equipment	37,929,219	4,036,163	-	(819,091)	(3,095,326)	38,050,965
Heritage	432,000	-	-	-	-	432,000
	4,732,034,978	34,895,248	104,948,925	(1,549,091)	(162,268,283)	4,708,061,777

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Under Construction additions	Disposals	Depreciation	Total
Land	10,180,776	1,730,000	-	-	-	11,910,776
Buildings	90,663,039	674,270	7,086,037	-	(1,170,484)	97,252,862
Infrastructure	4,586,163,228	103,744,051	59,225,708	(12,029,526)	(152,593,340)	4,584,510,121
Other property, plant and equipment	16,729,131	23,093,399	-	(428,242)	(1,465,069)	37,929,219
Heritage	432,000	-	-	-	-	432,000
	4,704,168,174	129,241,720	66,311,745	(12,457,768)	(155,228,893)	4,732,034,978

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

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

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4. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,097,760	(1,017,586)	80,174	414,578	(204,032)	210,546
Blyde Water Utility	13,991,354	(3,690,745)	10,300,609	13,991,354	(3,614,752)	10,376,602
Total	15,089,114	(4,708,331)	10,380,783	14,405,932	(3,818,784)	10,587,148

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	210,546	683,182	(113,986)	80,174
Blyde Water Utility	10,376,602	-	(699,568)	10,300,609
	10,587,148	683,182	(813,554)	10,380,783

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	293,462	(82,916)	210,546
Blyde Water Utility	11,076,169	(699,567)	10,376,602
	11,369,631	(782,483)	10,587,148

Blyde Water Intangible Asset

The Blyde Water intangible asset relates to the water conveyance agreement between Blyde River Water Utility Company (Pty) Ltd and the municipality, which gives rise to a right for the municipality to use a pipe network for conveyance of water over a period of 20 years commencing on 1 April 2008 to 31 March 2028.

5. Other financial assets

At amortised cost

Other financial assets	-	5,789,052
Other financial loan relates to Ba - Phalaborwa loan was repaid in full during the financial year.	-	-
	-	-
	-	5,789,052

Non-current assets

At amortised cost	-	189,052
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Current assets

At amortised cost	-	5,600,000
Non-current assets	-	189,052
Current assets	-	5,600,000
	-	5,789,052

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
6. Inventories		
Consumable stores	34,617,233	26,131,836
Water	49,855	40,705
	34,667,088	26,172,541

A large number of pipes were included under inventory and these were utilised for water infrastructure projects.

Water Inventory is made up of the following:

Municipality		
Greater Tzaneen Municipality	26,668	32,943
Greater Giyani Municipality	3,055	3,055
Maruleng Local Municipality	-	-
Ba-Phalaborwa Municipality	-	-
Greater Letaba Municipality	20,131	4,707
	49,854	40,705

7. Receivables from exchange transactions

Staff Debtors	198,913	191,416
PMDS and Pay Progression	5,751,664	5,929,225
Audit Committee Proportion - LM's	2,612,341	2,071,926
Councillors	170,168	170,168
Service Providers	960,478	2,825,302
DWA (Greater Letaba Municipality)	399,243	399,243
Bursaries (Greater Tzaneen)	49,737	-
Ba-Phalaborwa Municipality	226,429,161	284,294,454
Greater Giyani Municipality	13,711,705	3,891,448
Greater Letaba Municipality	11,386,802	10,462,569
Department of Water Affairs	837,975	30,589,565
	262,508,187	340,825,316

Included in the PMDS & pay progression are overpayments made to officials transferred from DWA.

The DWA(Greater Letaba) debt relates to the financial 2009/10 which was lost due to migration from one system to another by the Local Municipality. The matter is being investigated by both Mopani District Municipality and Greater Letaba Municipality on the irrecoverability and once the investigations is finalised a provision will be made and the debt will be written off.

The high value of receivables of Ba - Phalaborwa Municipality pertains to water related transactions billed and collected on behalf of Mopani District Municipality as per the Water Service Provider agreements.

8. VAT receivable

VAT	32,546,442	-
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Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
9. Consumer debtors		
Gross balances		
Water	405,828,252	336,099,083
Sewerage	80,572,207	66,375,113
	486,400,459	402,474,196
Less: Allowance for impairment		
Water	(186,976,298)	(211,013,377)
Sewerage	(28,668,551)	(24,015,133)
	(215,644,849)	(235,028,510)
Net balance		
Water	218,851,954	125,085,706
Sewerage	51,903,656	42,359,980
	270,755,610	167,445,686
Water		
Current (0 -30 days)	21,226,217	16,569,319
31 - 60 days	7,623,467	15,795,652
61 - 90 days	7,180,044	15,073,740
91 - 120 days	6,727,855	6,535,385
121 - 365 days	112,297,965	65,336,199
> 365 days	237,877,531	211,064,407
Impairment	(174,081,125)	(205,288,996)
	218,851,954	125,085,706
Sewerage		
Current (0 -30 days)	3,571,994	1,674,603
31 - 60 days	1,658,389	1,313,599
61 - 90 days	1,223,901	1,305,750
91 - 120 days	1,367,961	1,075,457
121 - 365 days	22,029,287	14,084,869
> 365 days	50,861,924	46,920,835
Impairment	(28,809,800)	(24,015,133)
	51,903,656	42,359,980
Reconciliation of allowance for impairment		
Balance at beginning of the year	(235,028,510)	(174,612,768)
Contributions to allowance	19,383,661	(60,415,742)
	(215,644,849)	(235,028,510)
Consumer debtors per local municipality		
Municipality	-	-
Ba - Phalaborwa	310,205,126	246,465,638
Greater Tzaneen Municipality	86,334,469	84,966,287
Greater Giyani Municipality	57,557,354	44,428,044
Greater Letaba Municipality	31,048,941	26,152,991
Maruleng Municipality	1,126,019	461,235
	486,271,909	402,474,195

Mopani District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	20,980,815	-
Short-term deposits	62,145,466	-
Bank overdraft	-	(6,787,631)
	83,126,281	(6,787,631)
Current assets	83,126,281	-
Current liabilities	-	(6,787,631)
	83,126,281	(6,787,631)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash Book Balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA BANK - Current Account - 405 277 1364	20,980,815	(6,787,631)	3,229,284	-	-	3,233,816
ABSA BANK - Cheque Account 408 091 1671	62,145,466	-	-	-	-	-
Total	83,126,281	(6,787,631)	3,229,284	-	-	3,233,816

11. Finance lease obligation

Minimum lease payments due

- within one year	-	437,266
- later than five years	-	-
	-	437,266
less: future finance charges	-	(20,852)
Present value of minimum lease payments	-	416,414

Present value of minimum lease payments due

- within one year	-	416,414
- in second to fifth year inclusive	-	-
- later than five years	-	-
	-	416,414

It is municipality policy to lease certain equipment under operation leases.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

DWA Refurbishment	14,170,219	7,361,825
Municipal Infrastructure Grant (MIG)	202,895,351	206,289,094
Rural Transport Grant	1,909,206	1,188,808
EPWP	219,419	219,419
	219,194,195	215,059,146

See note 18 for the reconciliation of grants from other subsidies of government

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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12. Unspent conditional grants and receipts (continued)

The Municipality's application for the 2012/13 roll over was rejected by National Treasury and both parties have agreed on the repayment arrangement.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

13. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Total
Bonus provisions	8,146,605	-	(2,559,346)	5,587,259
Leave Provision	29,881,677	13,779,834	(16,433,172)	27,228,339
Post Retirement Medical Aid Benefits	8,299,157	3,253,803	-	11,552,960
Long Service Awards	13,619,468	858,858	-	14,478,326
	59,946,907	17,892,495	(18,992,518)	58,846,884

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Performance Bonus Provision	5,992,294	2,335,123	(180,812)	8,146,605
Provision 2	22,870,318	7,011,359	-	29,881,677
Post Retirement Medical Aid Benefits	5,169,087	3,130,070	-	8,299,157
Long Service Awards	4,180,842	-	9,438,626	13,619,468
	38,212,541	12,476,552	9,257,814	59,946,907

Non-current liabilities	34,865,468	49,289,845
Current liabilities	23,981,416	10,657,062
	58,846,884	59,946,907

Long service awards

An actuarial valuation has been performed in respect of long service benefits which employees may become entitled to upon completion of a certain numbers of years service.

Long service award liability

The LSA liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability. The previous actuarial valuation of the Municipality's LSA liability was undertaken as at 30 June 2013. This valuation is referred to in Section 6 of the actuary's report, where its results are compared to these results

Discount rates

GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used.

Consequently, a discount rate of 7.81% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability-weighted index-linked yield is 1.19%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2014.

History of Liabilities, Assets and Experience Adjustments

Table 6.7 summarises the accrued liabilities and the plan assets for the current period and the previous three periods.

Table 6.7

Table 6.7: History of liabilities and assets

	30/06/2011	30/06/2012	30/06/2013	30/06/2014
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Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand			2014	2013
13. Provisions (continued)				
Accrued Liability	1,849,874	10,960,717	11,768,048	12,422,520

Table 6.8

Table 6.8 summarises the experience adjustments for the current and previous two periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred

Table 6.8: History of experience adjustments: (Gains) and Losses

	Year ending 30/06/2012	Year ending 30/06/2013	Year ending 30/06/2014
Liability: (Gain) / Loss	7,747,809	143,778	563,365
Assets : (Gain/Loss)	-	-	-
	7,747,809	143,778	563,365

Reconciliations of Long - Service Award Liability

Employee benefit cost provision

Past year and future projected Liability

Opening Accrued Liability	11,768,048	10,960,717
Current - Service Cost	814,207	1,331,159
Interest Cost	755,227	652,191
Expected Benefit Vestings	(2,027,815)	(1,339,805)
Total Annual Expense	(458,381)	643,545
Actuarial Loss/ (Gain)	1,112,853	163,786
Closing Accrued Liability	12,422,520	11,768,048

14. Payables from exchange transactions

Trade payables	262,235,221	154,396,544
Retention	71,561,242	57,961,210
Other payables	1,708,923	3,494,332
Ba - Phalaborwa Municipality	155,061,624	170,927,899
Greater Letaba Municipality	1,284,608	891,094
Greater Tzaneen Municipality	184,123,893	136,062,556
Maruleng Municipality	17,972,053	13,731,562
Greater Giyani Municipality	1,826,807	1,502,149
	695,774,371	538,967,346

Given the huge debt book the municipality experienced cash flow problems and was not able to pay its creditors within 30 days.

The huge balance of payables pertains to inter municipality transactions with the Local Municipalities for which the District Municipality has a Service Level Agreement for the provision of water and sanitation to the Locals

GRAP 104 has been considered in the valuation of these payables.

15. Consumer deposits

Water	3,492,850	3,930,536
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Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
16. Revenue		
Service charges	137,642,728	165,015,010
Interest earned - Outstanding receivables	2,681,864	13,927,967
Other income	3,042,127	12,907,778
Interest received	2,858,966	676,173
Government grants & subsidies	997,806,539	762,038,873
	1,144,032,224	954,565,801
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	137,642,728	165,015,010
Interest earned - Outstanding receivables	2,681,864	13,927,967
Other income	3,042,127	12,907,778
Interest received	2,858,966	676,173
	146,225,685	192,526,928
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	997,806,539	762,038,873
17. Service charges		
Sale of water	114,612,934	143,609,244
Sewerage and sanitation charges	23,029,794	21,405,766
	137,642,728	165,015,010

Mopani District Municipality

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18. Government grants and subsidies		
Operating grants		
Equitable share	504,909,000	458,567,000
DWA (O&M)	-	14,133,000
DWA (Refurbishment)	11,191,605	10,170,911
EPWP	1,000,000	3,588,581
Finance Management Grant (FMG)	1,250,000	1,558,856
LGW SETA	369,578	882,991
Municipal System Improvement Grant (MSIG)	890,000	1,000,000
LP Econ (Biosphere) Grant	-	240,000
	519,610,183	490,141,339
Capital grants		
Regional Bulk Water - Mametja Sekororo	82,406,825	19,075,991
Regional Bulk Water (DWA)	20,402,185	26,429,059
Municipal Infrastructure Grant (MIG)	348,975,744	212,228,193
DWA Nandoni	-	11,889,099
Rural Transport Grant	1,005,602	2,275,192
MWIG Projects	16,906,000	-
RHIG	8,500,000	-
	478,196,356	271,897,534
	997,806,539	762,038,873

Equitable Share

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

DWA Refurbishment

Balance unspent at beginning of year	7,361,825	7,100,751
Current-year receipts	18,000,000	10,000,000
Conditions met - transferred to revenue	(11,191,606)	(9,738,926)
	14,170,219	7,361,825

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to ensure that the transferred schemes are fully functional and are operational.

Municipal Infrastructure Grant

Balance unspent at beginning of year	206,289,094	99,215,288
Current-year receipts	375,582,000	319,302,000
Conditions met - transferred to revenue	(348,975,743)	(212,228,194)
	202,895,351	206,289,094

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to improve access to basic service infrastructure for poor communities.

Finance Management Grant

Balance unspent at beginning of year	-	308,856
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,558,856)
	-	-

Mopani District Municipality

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18. Government grants and subsidies (continued)

The purpose of the grant is to Improve capacity in financial management.

Rural Transport Grant

Balance unspent at beginning of year	1,188,808	1,688,000
Current-year receipts	1,726,000	1,776,000
Conditions met - transferred to revenue	(1,005,602)	(2,275,192)
	1,909,206	1,188,808

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to improve data on rural roads to guide infrastructure development.

EPWP

Balance unspent at beginning of year	219,419	-
Current-year receipts	1,000,000	3,808,000
Conditions met - transferred to revenue	(1,000,000)	(3,588,581)
	219,419	219,419

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to improve opportunities for sustainable employment due to experience and learning gained.

Disaster Relief Fund (Maruleng)

The purpose of the grant is to assist in providing access to water supply and sustainable infrastructure during the disaster.

19. Other income

Certificates - inflamables	117,495	-
Sundry income	218,528	94,304
Insurance claims	160,983	93,749
Mayors charity cup	2,125,853	2,231,627
Reconnection fees	57,443	10,402,673
Tender fees	722,871	769,295
Commission received	105,663	101,164
Rebates Sewarage	-	(20,024)
Income Forgone	(466,709)	(765,010)
	3,042,127	12,907,778

Mopani District Municipality

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Figures in Rand	2014	2013
20. General expenses		
Advertising	620,041	1,612,720
Auditors remuneration	1,535,794	1,536,077
Bank charges	152,093	372,228
Computer expenses	1,035	-
Consulting and professional fees (including legal expenses)	17,182,634	11,750,954
Entertainment	15,326	32,201
Insurance	1,938,031	1,305,541
Conferences and seminars	126,176	286,795
IT expenses	21,476	-
Lease rentals on operating lease	293,957	2,900,451
Agency Fee	-	1,015,771
Levies	3,696,643	1,095,712
Magazines, books and periodicals	110,000	4,384
Motor vehicle expenses	105,228	65,081
Fuel and oil	3,995,240	3,639,127
Postage and courier	1,106	4,094
Printing and stationery	-	1,235
Protective clothing	138,828	113,176
Software expenses	376,233	209,295
Performance Management	7,318	9,042
Telephone and fax	2,871,802	2,192,330
Travel - local	6,411,661	7,533,705
Electricity	38,051	915,024
Sewerage and waste disposal	11,355	38,991
Water & Electricity	739,662	190,686
Utilities - Other	766,296	510,634
Catering	159,528	355,348
Audit Committee Allowances	2,018,647	3,425,649
Contribution to Projects	17,343,962	27,565
Performance Management	1,248,130	158,852
Venue expenses	4,423,566	17,106,636
Other expenses	33,009,193	37,777,465
	99,359,012	96,186,769

The district implements various projects which are transferred to the Local Municipalities upon completion. The amount spent is reflected as contribution to projects.

Mopani District Municipality

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21. Employee related costs		
Basic	125,072,496	140,869,426
Bonus	8,135,140	11,974,577
Medical aid - company contributions	8,640,999	8,034,471
UIF	1,304,945	1,328,692
Workman Compensation	154,749	216,092
SDL	1,837,079	1,779,620
Other payroll levies	5,175,585	5,722,705
Leave pay provision charge	-	560,739
Post Employment Benefits	1,204,457	(68,973)
Defined contribution plans	23,097,094	22,213,748
Overtime payments	13,880,328	14,878,120
Long-service awards	424,902	417,813
Car allowance	11,874,262	5,781,097
Housing benefits and allowances	7,150,891	7,661,855
Leave redemption	(1,449,588)	1,536,371
Bargaining council	12,790	13,759
Cellphone Allowance	40,660	23,575
Shift Allowance	496,007	18,150
	207,052,796	222,961,837

Remuneration of Municipal Manager

Annual Remuneration	916,305	879,484
Car Allowance	636,423	631,997
Contributions to UIF, Medical and Pension Funds	16,039	1,713
	1,568,767	1,513,194

Remuneration of Chief Finance Officer

Annual Remuneration	759,710	509,600
Car Allowance	217,603	101,563
Contributions to UIF, Medical and Pension Funds	54,860	12,880
	1,032,173	624,043

The position of the Chief Financial Officer is vacant as from the 01 December 2012.

Remuneration of Director Community Services

Annual Remuneration	786,698	732,000
Car Allowance	232,101	200,870
Contributions to UIF, Medical and Pension Funds	54,208	150,905
	1,073,007	1,083,775

Remuneration of Directors Corporate Services

Annual Remuneration	594,884	325,442
Car Allowance	180,378	15,974
Performance Bonuses	-	119,000
Contributions to UIF, Medical and Pension Funds	50,569	32,261
	825,831	492,677

The position of the Director Corporate Services is vacant as from the 01 August 2012.

Mopani District Municipality

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Figures in Rand	2014	2013
21. Employee related costs (continued)		
Remuneration of Director Planning and Development		
Annual Remuneration	780,641	726,000
Car Allowance	228,646	223,793
Contributions to UIF, Medical and Pension Funds	59,903	101,513
	1,069,190	1,051,306
Remuneration of Director Infrastructure Services		
Annual Remuneration	707,820	654,000
Car Allowance	263,831	195,327
Contributions to UIF, Medical and Pension Funds	133,060	167,546
	1,104,711	1,016,873
Remuneration of Director Water Services		
Annual Remuneration	660,182	50,967
Car Allowance	287,858	20,028
Contributions to UIF, Medical and Pension Funds	127,100	27,933
Cell	36,000	-
	1,111,140	98,928
Remuneration of Director Office of the Executive Mayor		
Annual Remuneration	611,088	50,924
Car Allowance	273,074	21,236
Contributions to UIF, Medical and Pension Funds	128,580	-
	1,012,742	72,160
Executive Mayor's Allowances		
Annual Remuneration	410,028	415,306
Car Allowance	183,680	169,852
Contributions to UIF, Medical and Pension Funds	92,687	91,049
Cell	39,828	39,828
	726,223	716,035
The Executive Mayor has been provided with a Council vehicle.		
Speaker's Allowances		
Annual Remuneration	341,846	346,068
Car Allowance	243,488	245,831
Contributions to UIF, Medical and Pension Funds	60,326	59,015
Cell	19,872	19,872
	665,532	670,786
Allowance of Members of Mayoral Committee		
Annual Remuneration	3,013,910	2,669,422
Car Allowance	1,895,143	1,008,180
Cell	188,688	168,816
Contributions to UIF, Medical and Pension Funds	454,823	685,855
	5,552,564	4,532,273

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21. Employee related costs (continued)

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Figures in Rand	2014	2013
22. Remuneration of Councillors		
Councillors	7,613,973	7,543,927
Councillors' pension contribution	695,631	673,373
	8,380,164	8,255,733

Remuneration Per Councillor - 2014	Salary	Cellphone Allowance	Travel Allowance		Total
O.J Mushwana	375,596	19,872	192,568	-	588,036
M Lewele	303,201	19,872	237,046	-	560,119
L.N Machethe	320,481	19,872	159,145	-	499,498
H.G Manganye	320,481	19,872	203,937	-	544,290
T.P Ramaremela	303,201	19,872	222,894	-	545,967
M.L Maloko	303,201	19,872	218,257	-	541,330
R.P Nkanyani	320,481	19,872	193,129	-	533,482
C Nkuna	176,264	12,396	69,123	-	257,783
S.H Moshobane	176,264	12,396	151,985	-	340,645
C Hlatshwayo	207,370	12,396	114,445	-	334,211
A Ngobeni	207,370	12,396	132,614	-	352,380
M.S	128,192	12,396	83,758	-	224,346
M.P Raganya	128,192	12,396	119,769	-	260,357
K.J Monyela	150,815	12,396	50,271	-	213,482
S.G Mokoеле	128,192	12,396	65,269	-	205,857
P.W Cronje	128,192	12,396	52,536	-	193,124
M.A Mabunda	128,192	12,396	50,271	-	190,859
M.N Makhurupetji - Malatji	128,192	12,396	99,920	-	240,508
M.F Mohlala	128,192	12,396	60,900	-	201,488
P.P Makhubele	5,566	-	1,855	-	7,421
B.M Makhubele	3,710	-	1,237	-	4,947
H.I Baloyi	5,566	-	46,982	-	52,548
T.A Makhubele	5,566	-	1,855	-	7,421
T.J Moshwana	5,566	-	48,265	-	53,831
A Rikhotso	5,566	-	1,855	-	7,421
M.Q Rikhotso	5,566	-	48,672	-	54,238
M.L Ncha	9,792	-	19,298	-	29,090
D.G Mushwana	9,792	-	26,461	-	36,253
N.L Mohale	9,792	-	64,222	-	74,014
D.L Ndove	9,792	-	-	-	9,792
J.H.S Mbhalati	9,792	-	49,407	-	59,199
M Sibiya	9,792	-	60,418	-	70,210
M.L Mokgobi	9,792	-	77,766	-	87,558
S.C Makwala	9,792	-	28,430	-	38,222
M.E Mafona	5,566	-	23,237	-	28,803
M.G Selowa	5,566	-	50,710	-	56,276
T.J Senyolo	5,566	-	1,855	-	7,421
M.C Mamogale	9,792	-	12,395	-	22,187
G.J Flemming	9,792	-	15,328	-	25,120
M.G Malesa	9,792	-	-	-	9,792
M.O Makwala	9,792	-	34,675	-	44,467
J.G Mashele	9,792	-	40,232	-	50,024
M.R Mamefja	5,566	-	60,606	-	66,172
M.C Magoro	5,566	-	34,469	-	40,035
S.P Mabale	5,566	-	35,177	-	40,743
A.M Mantlhaka	5,566	-	64,264	-	69,830
T.J Rababalela	5,566	-	38,218	-	43,784
M.B Mashele	8,160	-	11,671	-	19,831
	4,279,159	287,856	3,377,397	-	7,944,412

Mopani District Municipality

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Figures in Rand	2014	2013
23. Regional Bulk Infrastructure Projects		
Regional Bulk infrastructure Projects Expenditure	71,449,541	-
24. Debt impairment		
Debt impairment	21,798,680	26,144,153
Debts impaired	-	24,287,667
	21,798,680	50,431,820
Included in the debt impairment are long outstanding debtors from the five Local Municipalities within the District on Water and Sewer accounts.		
25. Investment revenue		
Interest revenue		
Current Account	2,858,966	676,173
26. Depreciation and amortisation		
Property, plant and equipment	163,686,795	138,456,612
27. Finance costs		
Current borrowings	607,869	502,802
28. Auditors' remuneration		
Fees	1,535,794	1,536,077
29. Contracted services		
Information Technology Services	4,010,397	5,053,602
Operating Leases	9,673,739	7,883,887
Specialist Services	12,657,710	5,713,149
Other Contractors	3,315,881	5,213,048
	29,657,727	23,863,686
30. Grants and subsidies paid		
Other subsidies		
Bursaries	2,659,109	3,431,175
Free basic services	1,086,371	621,570
	3,745,480	4,052,745
Grants paid to ME's	-	-
Other subsidies	3,745,480	4,052,745
31. Bulk purchases		
Water	252,494,974	193,935,946

The District municipality purchase bulk water on behalf of Local municipality.

Mopani District Municipality

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Figures in Rand	2014	2013
32. Cash generated from operations		
Deficit	(32,256,238)	(2,865,394)
Adjustments for:		
Depreciation and amortisation	163,686,795	138,456,612
Gain on disposal of assets and liabilities	290,126	10,620,185
Impairment deficit	-	17,234,114
Debt impairment	21,798,680	50,431,820
Movements in provisions	(1,100,023)	21,734,366
Water and Sanitation Transactions	(528,966)	(198,355,854)
Changes in working capital:		
Inventories	(8,494,547)	31,752,117
Receivables from exchange transactions	78,317,129	(33,941,561)
Consumer debtors	(125,108,604)	(129,288,552)
Payables from exchange transactions	156,807,023	122,718,112
VAT	(33,299,074)	54,277,383
Unspent conditional grants and receipts	4,135,049	106,314,266
Consumer deposits	(437,686)	(715,793)
	223,809,664	188,371,821
33. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	89,617,947	430,838,330
• Operating Contracts	6,239,944	-
• Orders	10,404,119	-
	106,262,010	430,838,330

This committed expenditure relates to capital projects and will be financed by Grants and surpluses, existing cash resources and funds internally generated

Mopani District Municipality

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34. Contingent Liabilities

Mbhalati J.P / Mopani District Municipality

The Municipality dismissed Mbhalati J.P after he was found guilty of misconduct. The employee, challenged his dismissal in the South African Local Government Bargaining Council. The arbitration is part-heard and still pending. The claim against the Municipality is amounting to R643 389.17

Motjieng T.C / Mopani District Municipality

The Municipality dismissed Motjieng T.C after he was found guilty of misconduct. The employee challenged his dismissal in the South African Local Government Bargaining Council. The arbitration is part heard and still pending. The claim against the Municipality is amounting to R438 725.77

Seerane M.W / Mopani District Municipality

The Municipality dismissed Seerane M.W after he was found guilty of misconduct. The employee challenged his dismissal in the South African Local Government Bargaining Council. The arbitration is part heard and still pending. The claim against the Municipality is amounting to R438 725.77

Visser J.D / Mopani District Municipality

The Municipality dismissed Visser J.D after he was found guilty of misconduct but the Bargaining Council reinstated him with back pay. The reinstatement was confirmed by the Constitutional Court. There is a dispute about the calculation of back pay. The parties agreed to refer the matter for private arbitration and the arbitration is still pending. The claim against the Municipality is amounting to R3 146 058.00 with interest @ 15.5%

Parm Nursery and 3 others / Mopani District Municipality

The claimant / plaintiff sued the Municipality for damages allegedly occasioned by fire. They further allege that the Municipality is to blame for the damages.

The claim against the Municipality is amounting to R5 887 330.00 plus interest. Interest will be calculated from the date of judgment

Flo-Tek pipes & irrigation / Mopani District Municipality

The Municipality is sued allegedly for goods sold and delivered to MDM and its constructor. The claim against the Municipality is amounting to R150 988.00

Esofranki Pipelines (Pty) Ltd / Mopani District Municipality

Esofranki sued the Municipality for loss of income amounting to R10 284 387.10. The case is strenuously defended. Case waiting for trial date in the North Gauteng High Court. The claim against the Municipality is R10 284 387.10 plus interest from the date of issue of summons and legal costs. Interest is calculated at 15.5% from 1st October 2010.

EP Monyela / Mopani District Municipality

In this matter the plaintiff claims R300 000 for damages allegedly caused by the Municipality. The claim against the Municipality is amounting to R300 000.00

AM Botes / Mopani District Municipality

This is a civil claim against the Municipality for R950 000.00 in respect of damages allegedly suffered by the plaintiff. The claim against the Municipality is amounting to R950 000.00

Versatex Trading 469 cc / Mopani District Municipality

This is a claim for payment of the sum of R219 201.13 for services allegedly rendered by the plaintiff

Nolwandle & Ntimani Construction J.v / Mopani District Municipality

This is a civil case whereby MDM is sued by Nolwandle & Ntimani Jv for R3 414 105.50 being for breach of contract and consequential damages. The claim against the Municipality is amounting to R3 414 105.50

Cycad Pipelines (Pty) Ltd & Esofranki Pipelines (Pty) Ltd

The municipality lost the court battle and is now facing legal costs estimated at R5,000,000 and R10,000,000. This is disclosed as a contingent liability as, even though there is a present obligation, the amount cannot be measured reliably. Furthermore, this does not meet the GRAP 19 recognition criteria for recognition as a provision, since the best estimate of the legal costs cannot be reliably estimated.

Mopani District Municipality

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34. Contingent Liabilities (continued)

Wage Curve Contingent Liability for the 2013-14 Financial Year

As per the SALGA directive dated 21 July 2014, a quantified contingent liability must be disclosed for all municipalities whose task results were not published by the SALGBC. As Mopani District Municipality's results had not been published, the wage curve contingent liability was calculated using the prescribed formula from SALGA. The contingent liability amounts to R631,517.97 as at 30 June 2014.

Basis used for determination of of the wage curve contingent liability (as per the SALGA template)

Year 1: As per SALGBC Circular No: 07/2010 dated 8 July 2010, the 2009/10 basic salaries were used as the basis for the calculations. These basic salaries were escalated by a 2.5 percent Non Pensionable Allowance and a 8.48 percent increase as per SALGBC Circular No: 07/2010. The result was compared to the amounts per the wage curve agreement (guided by the SALGBC schedule showing the Categorisation and Job Evaluation Wage Curves Collective Agreement signed on 21 April 2014). The difference was multiplied by 9 months to determine the amount of the back payment contingent liability.

Year 2: The 2010/11 basic salaries were used as the basis for the calculations. These basic salaries were escalated by a 6.08 percent increase. The result was compared to the amounts used in Year One (refer to paragraph above) as determined by the SALGBC schedule showing the Categorisation and Job Evaluation Wage Curves Collective Agreement signed on 21 April 2014). The difference was multiplied by 12 months to determine the amount of the back payment contingent liability.

Contingent assets

Kgafela Construction CC

Mopani District Municipality sued Kgafela Construction CC for R14,140,976.84 for damages allegedly occasioned by Kgafela's failure to adhere to tender conditions. Legal costs are estimated at R 2 million.

35. Related parties

Relationships

Accounting Officer

Refer to disclosure note on remuneration of senior management

Constituent Local Municipalities of Mopani District
Ba - Phalaborwa Municipality
Greater Giyani Local Municipality
Greater Letaba Local Municipality
Greater Tzaneen Municipality
Maruleng Local Municipality

Audit Committee

Refer to General Information page for details on composition of the Audit Committee

Members of Key Management

Refer to disclosure note on remuneration of senior management

Remuneration of Councillors

Refer to disclosure note on remuneration of councillors

Road Agency Limpopo

Mopani District transferred all roads that were previously in its asset register, to the Road Agency Limpopo (RAL), as per the Provincial Gazette No.2372 (The roads had a net book value of R134 004 541.51)

Close family member of Councillor

Lewele M R860 000.00

Mopani District Municipality

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36. Prior period errors

1. The Municipality incorrectly capitalised the Engineers and sub contractors fees amounting to R189 695.99 (the VAT amount thereon of R23,296 was also incorrectly capitalised) for the Development of Maruleng Waste Disposal Site Project. The municipality also recognised depreciation of R6,115 on this balance. The landfill site was developed on behalf of the Maruleng Local Municipality (MLM) and was transferred to MLM in April 2014.
2. The Municipality incorrectly mapped a creditor under the income statement (expense section) in the caseware AFS, resulting in understatement of accumulated surplus and other creditors.
3. The Municipality incorrectly recognised bulk purchases for Ba- Phalaborwa Municipality as debtors from exchange transactions by raising a debtor to the value of R39 874 124 in 2012-13 and R114 156 068 for the prior years against accumulated surplus.
4. During the year ended 30 June 2013, the provisions for doubtful debts for the Local Municipalities amounting to R12 988 560.38 were incorrectly debited to the inter - municipality loan accounts instead of the debt impairment expense.
5. The Municipality capitalised in its accounting records roads listed under Schedule B, which are declared as Provincial Roads under the ownership and management of Road Agency Limpopo. The cost of the roads was R150,215,911. Accumulated depreciation amounting to R16,205,25 had been recognised on these roads.
6. During 2012-13 audit differences were noted between balances per the MIG grant register/ledger and the underlying supporting documentation. Consequently it was noted that there was overstatement of MIG grant revenue and understatement of MIG unspent grant liability to the amount of R6,117,840.
7. The Municipality incorrectly mapped the Long Service Award provision for Greater Giyani Municipality under the Post Retirement Medical Aid Benefits in the Caseware AFS, resulting in misstatement R354,429 of both provisions.
8. During the year ended 30 June 2013, the municipality understated the DWAF (Refurbishment) unspent grant liability by R431,985 due to accounting errors.
9. The 2013-14 inventory balance was overstated by R18,350,280 due to adjustments to inventory after stock count as at 30 June 2013, which were processed twice in error.
10. The Municipality's Input VAT balance was understated due to non-accounting for VAT on rental of photocopiers amounting to R339 120.56.
11. The Municipality's VAT balance was mistated due to non - inclusion of the SARS assessments in determination of the VAT balance, resulting in overstatement of the VAT balances by R72 681 283.89
12. Other debtors (Payroll Debtors) were understated by R68,973 due to accounting errors.
13. The DWA RBHIG Grant debtors balance was overstated by R13,691,558 due to numerous accounting errors
14. During the year ended 30 June 2013 the municipality understated the Water Reticulation assets (PPE) by R32,353,416 due to an accounting error.
15. During the current financial year management reviewed all assets based on the improvement of the control environment and the update of the asset management policy. This resulted in a number of misstatement being identified that was subsequently corrected. Revision of the assets included in the asset register and the valuation of all assets as at 01 July 2012 was performed in the current year. The assets are carried at cost less accumulated depreciation and the difference in asset values will be charged to the accumulated surplus as it relates to the correction of prior period errors.
16. The Municipality overstated the retentions liability on sanitation projects by R731 348.68 as the retentions payments were misposted to the sanitation project expense votes.
17. The Municipality made a provision for bad debts which was irrecoverable for an amount of R399 242.75 from water and sanitation - Greater Letaba Municipality
18. The 2012-13 Greater Tzaneen Municipality trade creditors were overstated by R1,063,991.
19. The Greater Letaba agency fee liability was overstated by R539,015.
20. The Maruleng Local Municipality agency fee liability was overstated by R16,323.
21. The Greater Giyani Municipality inter-municipality loan account was understated by R13,620,367.
22. During the year ended 30 June 2013, the municipality did not accrue for liabilities amounting to R351,474 This resulted in the understatement of trade creditors and VAT Input, and overstatement of accumulated surplus.
23. During the year ended 30 June 2013, the municipality did not accrue for liabilities amounting to R351,474 This resulted in the understatement of trade creditors and VAT Input to the amount of R43,163.41
24. During the year ended 30 June 2013, the municipality overpaid a service provider, Mamoloko Trading, by R326,536, which was not then recognised as a debtor. This resulted in understatement of debtors by R326,536, and overstatement of the Mopani sanitation household expense by the same amount.
25. An invoice from Mamoloko, a service provider, of R144,000, was not credited against the amount owing by the service provider. This resulted in overstatement of debtors by R144,00, and understatement of the Mopani sanitation household expense and Input VAT by R126,315.79 and R17,684, respectively.
26. In 2012-13 a replacement cheque #33711 was paid to replace stale cheque #188 but the payment was incorrectly debited against the Sanitation project expense vote (expense had already been recognised when stale cheque #188 was issued). This resulted in the overstatement of the stale cheques vote by R514,868 and the sanitation expense by the same amount.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

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36. Prior period errors (continued)

27. The municipality did not accrue for 2012-13 catering expense amounting to R14,400, resulting in understatement of creditors and catering expenses.

28. Land purchased i 2012-13 was understated by R1,000,000.

The detail of prior period errors corrected are shown below:-

Mopani District Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
36. Prior period errors (continued)		
Adjustments affecting the Statement of financial position		
PPE - Reversal of landfill site road incorrectly recognised	-	(189,696)
Recognition of previously unrecorded input VAT on landfill site expense	-	23,296
Adjustment to reverse Accumulated Depreciation for Landfill site road	-	6,115
Adjustment for overstatement of Debtors from Exchange Transactions	-	(154,030,193)
Inter - Municipality loan accounts	-	(26,543,396)
Adjustment for understatement of MIG Conditional Grant Liability	-	(6,117,840)
Adjustment for overstatement of DWAF RBHIG Conditional Grant Liability	-	431,985
Adjustment for duplication of 2012-13 inventory adjustments	-	(18,350,280)
Recognition of Input VAT on rental of photocopiers	-	339,121
Adjustment to correct VAT control balance	-	(72,681,284)
Other Debtors - Payroll debtors	-	68,973
Adjustment for overstatement of DWA RBHIG Grant Debtor	-	(13,691,558)
Adjustment for understatement of PPE (Water Reticulation Assets)	-	32,353,416
Increase in Property Plant and Equipment	-	2,601,379,656
Increase in Intangible Assets	-	35,231
Retentions Liability	-	731,349
Provision for bad debts	-	399,243
Adjustment for Greater Giyani Water Inventory overstated	-	(473,871)
Adjustment to Greater Tzaneen trade creditors overstatement	-	1,063,991
Adjustment to borrowings for Greater Letaba Water Infrastructure	-	539,015
Adjustment to borrowings for Maruleng Municipality water infrastructure	-	16,323
Adjustment to Greater Giyani inter Municipality account	-	13,620,367
Accruing of previously unrecorded 2012-13 liabilities	-	(351,474)
Input VAT on unrecorded 2012-13 liabilities.	-	43,163
Raising a debtor arising from over payment to service provider.	-	326,536
Reducing Mamoloko debt with 2012-13 invoice issued by service provider	-	(126,316)
Adjustment for overstatement of stale cheques vote	-	514,868
Adjustment for understatement of creditors.	-	(14,400)
Adjustment for understatement for land purchased in 2012-13	-	1,000,000
Adjustment for understatement of Ba - Phalaborwa long term provisions	-	(628,573)
	-	-
	-	-
Adjustments affecting the Statement of financial performance		
Adjustment for understatement for provision for doubtful debts	-	26,543,396
Adjustment for reversal for landfill site road	-	166,400
Reversal for depreciation on landfill road	-	(6,115)
Adjustment for understatement of DWA Refurbishment grant revenue	-	(431,985)
Adjustment for understatement for MIG grant liability	-	6,117,839
Adjustment for understatement of Ba - Phalaborwa Bulk Purchases	-	154,030,193
Adjustment for overstatement of PMDS and Pay progression expense	-	(68,973)
Adjustment for overstatement of inventory	-	18,350,280
Adjustment for overstatement of retention liability	-	(731,349)
Adjustment for overstatement of Greater Letaba Debt impairment	-	(399,243)
Adjustment for unrecorded security service expense	-	308,310
Adjustment for overstatement of sanitation expense due to over payment of service provider	-	(326,536)
Adjustment for unacrued invoice from service provider that was netted off against the debtor balance	-	126,316
Adjustment for overstatement of sanitation expense	-	(514,868)
Adjustment to accrue for 2012-13 catering expenses	-	14,400
Adjustment for understatement of Ba - Phalaborwa medical aid and long service award provisions	-	628,573
Adjustment for understatement of DWA RBHIG expenditure	-	13,691,558
Adjustment for understatement of DWA RBHIG funded PPE	-	(32,353,416)
Net Increase/Decrease in accumulated surplus	-	(2,544,838,547)

Mopani District Municipality

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Notes to the Annual Financial Statements

Figures in Rand			2014	2013
36. Prior period errors (continued)				
Statement of Financial Position as at 30 June 2013	Balance as previously reported	Prior Period Error	Reclassified (note 37)	Restated balance
Assets				
Current Assets				
Inventories	44,996,692	(18,824,151)	-	26,172,541
Other financial assets	5,600,000	-	-	5,600,000
Receivables from exchange transactions	507,663,753	(166,838,436)	-	340,825,317
VAT receivable	71,505,388	(72,258,019)	-	(752,631)
Consumer Debtors	167,046,443	399,243	-	167,445,686
	-	-	-	-
Total Current Assets	796,812,276	(257,521,363)	-	539,290,913
Non-current Assets				
Property, plant and equipment	2,097,485,487	2,634,549,491	-	4,732,034,978
Intangible assets	10,551,917	35,231	-	10,587,148
Other financial assets	189,052	-	-	189,052
Total non-current assets	2,108,226,456	2,634,584,722	-	4,742,811,178
Liabilities				
Current liabilities				
Finance lease obligation	416,414	-	-	416,414
Payables from exchange transactions	527,912,186	11,055,161	-	538,967,347
Consumer deposits	3,930,536	-	-	3,930,536
Unspent conditional grants and receipts	209,373,292	5,685,854	-	215,059,146
Provisions	39,839,060	-	(29,181,997)	10,657,063
Bank overdraft	6,787,631	-	-	6,787,631
Total current liabilities	788,259,119	16,741,015	(29,181,997)	775,818,137
Non current liabilities				
Provisions	19,479,275	628,573	29,181,997	49,289,845
Net assets				
Accumulated surplus-opening balance	1,915,020,950	2,544,838,549	-	4,459,859,499
Surplus/deficit)	182,279,388	(185,144,779)	-	(2,865,391)
	2,097,300,338	2,359,693,770	-	4,456,994,108
Statement of Financial Performance for the year ended 30 June 2013				
	Balance as previously reported	Prior period error	Reclassified (Note 37)	Total
Revenue				
Service charges	(165,015,010)	-	-	(165,015,010)
Interest earned-outstanding receivables	(13,927,967)	-	-	(13,927,967)
Other income	(12,907,778)	-	-	(12,907,778)
Interest received	(676,173)	-	-	(676,173)
Government grants and subsidies	(749,062,870)	(12,976,004)	-	(762,038,874)
Total revenue	(941,589,798)	(12,976,004)	-	(954,565,802)
Expenditure				
	-	-	-	-
	-	-	-	-
Employee Costs	222,440,670	559,600	(38,433)	222,961,837
Remuneration of Councillors	8,217,300	-	38,433	8,255,733

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Notes to the Annual Financial Statements

Figures in Rand			2014	2013
36. Prior period errors (continued)				
Mopani Household Sanitation	107,149,674	(1,446,437)	-	105,703,237
Depreciation and amortisation	138,462,727	(6,115)	-	138,456,612
Impairment loss / Reversal of impairments	17,234,114	-	-	17,234,114
Finance Costs	502,802	-	-	502,802
Debt Impairment	24,287,667	26,144,153	-	50,431,820
Repairs and Maintenance	85,225,709	-	-	85,225,709
Bulk Purchases	39,905,753	154,030,193	-	193,935,946
Contracted services	23,555,375	308,310	-	23,863,685
Grants and subsidies paid	4,052,745	-	-	4,052,745
General Expenses	77,655,689	18,531,080	-	96,186,769
Total expenditure	748,690,225	198,120,784	-	946,811,009
Operating surplus/(deficit)	(192,899,573)	185,144,779	-	(7,754,794)
Loss on disposal of assets and liabilities	10,620,185	-	-	10,620,185
	(182,279,388)	185,144,779	-	2,865,391

37. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of financial position

Increase in short-term provisions	-	(29,181,997)
Decrease in short-term provisions	-	29,181,997

Statement of Financial Performance

Decrease in employee costs	-	(38,433)
Increase in remuneration of councillors	-	38,433

38. Going concern

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

39. Events after the reporting date

1. Hippo Steel cc/MDM

This claim against the Municipality for goods sold and delivered. The matter is still pending before the High Court. The claimed amount is R430 445.75.

2. Makgadi Valencia Mashilo / MDM

This is a delictual claim against the Municipality arising from a motor collision. The matter is still pending in the Magistrate's court. The claimed amount is R23 262.60.

3. Road Agency Limpopo

Mopani District Municipality transferred all roads that were previously in its asset register, to the Road Agency Limpopo (RAL), as per the Provincial Gazettee No.2372. (The road had a net book value of R134 004 541.51 matter or event since the end of the reporting period and the date of this report, which will significantly affect the financial position and results of the municipality's operations.

40. Unauthorised expenditure

Unauthorised expenditure	140,089,736	75,304,420
Add: Unauthorised expenditure during the year	17,126,808	64,785,316
Less: Amount Condoned	-	-
Unauthorised expenditure awaiting condonement	157,216,544	140,089,736

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

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40. Unauthorised expenditure (continued)

Included in the R152 216 544 is an amount of R75 304 420 (2012) which was approved by Council in terms of Section 32 of the MFMA as per Council resolution 19/2013 and awaiting National Treasury for condonement in terms of Section 170(1) of the MFMA.

The unauthorised expenditure relates to the over - expenditure on Legal Services Vote amounting R6 572 171.15 and over expenditure on Greater Giyani Municipality - Water and Sewer Vote amounting to R10 554 636.73

The balance of R81 912 124.00 is awaiting investigation by Council Committee.

41. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	935,977	801,693
Add: Fruitless and Wasteful expenditure during the year	574,188	134,284
Less: Amount Condoned	-	-
Fruitless and Wasteful Expenditure awaiting condonement	1,510,165	935,977

Included in the R1 510 165 is an amount of R801 693 (2012) which was approved by council in terms of Section 32 of the MFMA as per Council resolution 19/2013 and awaiting National Treasury for condonement in terms of Section 170(1) of the MFMA.

The fruitless expenditure relates to Interest Paid on Eskom account amounting to R180 580.64, Interest Paid on Telkom amounting to R56 340.97, penalties paid to pension fund amounting to R3 407.94 and SARS penalties amounting to R333 858.47

The balance of R708 472.00 is awaiting investigations by Council Committee.

42. Irregular expenditure

Opening balance	159,260,478	152,470,478
Add: Irregular Expenditure - current year	15,533,592	6,790,000
	-	-
Irregular Expenditure awaiting condonement	174,794,070	159,260,478

Included in the R159 260 478 is an amount of R90 530 066 (2012) which was approved by council in terms of Section 32 of the MFMA as per resolution 19/2013 and awaiting National Treasury for condonement in terms of Section 170 (1) of the MFMA.

The balance of R84 264 004 is awaiting investigations by Council Committee.

Mopani District Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
43. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to SALGA		
Current year subscription / fee	3,483,271	1,095,712
Amount paid - current year	(3,483,271)	(1,095,712)
	-	-
Audit fees		
Current year subscription / fee	1,468,320	1,536,068
Amount paid - current year	(1,468,320)	(1,536,068)
	-	-
PAYE and UIF		
Current year subscription / fee	23,559,409	23,857,445
Amount paid - current year	(23,559,409)	(23,857,445)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	24,392,278	22,034,941
Amount paid - current year	(24,392,278)	(22,034,941)
	-	-
VAT		
VAT receivable	32,546,442	-
VAT payable	-	752,632
	32,546,442	752,632

VAT is payable on the cash basis as from the 30th May 2013. VAT input receivables and VAT output receivable is shown in note 8. All VAT returns have been submitted by the due date throughout the year.

44. Deviation from supply chain management regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the Municipal Manager. The total deviations for the year amounted to **R3 086 120.34**. **(2013: R8 456 560)** which has been tabled to council for noting in terms of Section 36(2).

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

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

45. In Kind Service

COGHSTA has provided an in kind service in the form of a Resident Accountant as from December 2012.

Mopani District Municipality

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46. Distribution Losses		
Sales (kl) Total	1,368,248	-
Purchases (kl) Tot	4,775,186	-
Percentage water losses at the plants (%)	4	-

Mopani District Municipality (MDM) as a Water Service Authority (WSA) has service level agreements with its five Local Municipalities, the Local Municipalities distribute water to the consumers on its behalf above are the distribution losses incurred.

The distribution loss percentage is high because it also includes the following elements that comprise non-revenue water:-

1. Unauthorised Consumption
2. Overflows from water storage
3. Unbilled metered consumption

Appendix B

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

Cost/Revaluation							Accumulated depreciation						
Opening Balance	Additions	Disposals	Opening Cost Adj	Revaluations	Under Construction	Closing Balance	Opening Balance	Additions	Disposals	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Land and buildings													
Land	10,910,778	800,000	(730,000)	-	-	-	10,980,778	-	-	-	-	-	10,980,778
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	34,261,894	3,020,015	-	-	73,026,353	110,308,262	5,699,191	1,329,434	-	-	-	7,028,625	103,279,637
	45,172,672	3,820,015	(730,000)	-	-	73,026,353	121,289,040	5,699,191	1,329,434	-	-	7,028,625	114,260,415
Infrastructure													
Sanitation	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Treatment	555,592,109	-	-	-	-	555,592,109	302,558,137	13,440,277	-	-	-	315,998,414	239,593,695
Collection/Reticulation Network	1,192,416,153	-	-	-	81,534,782	1,273,950,935	388,952,101	23,848,323	-	-	-	412,800,424	861,150,511
Sewer Pump Station	40,021,067	-	-	-	-	40,021,067	19,511,047	1,994,367	-	-	-	21,505,414	18,515,653
Water	-	-	-	-	-	-	-	-	-	-	-	-	-
Boreholes	338,019,873	11,895,613	-	-	-	349,915,486	122,578,003	17,386,792	-	-	-	139,964,795	209,950,691
Storage	787,077,319	1,212,788	-	-	-	788,290,107	385,036,351	17,173,512	-	-	-	402,209,863	386,080,243
Water Pump Station	95,268,102	-	-	-	-	95,268,102	39,701,806	4,521,917	-	-	-	44,223,723	51,044,379
Distribution / Reticulation Network	3,966,508,894	13,339,798	-	-	159,598,104	4,139,446,796	1,464,472,606	67,205,323	-	-	-	1,531,677,929	2,607,768,867
Water Treatment	340,974,804	590,870	-	-	-	341,565,674	149,078,304	12,273,012	-	-	-	161,351,316	180,214,359
	7,315,878,321	27,039,069	-	-	-	241,132,886	7,584,050,276	2,871,888,355	157,843,523	-	-	3,029,731,878	4,554,318,398
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

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

Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Opening Cost Adj Rand	Revaluations Rand	Under Construction Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Mayoral Chain	432,000	-	-	-	-	-	432,000	-	-	-	-	-	-	432,000
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	432,000	-	-	-	-	-	432,000	-	-	-	-	-	-	432,000
Finance leases														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency and Rescue Equipment	1,212,252	90,792	-	-	-	-	1,303,044	136,323	236,788	-	-	-	373,111	929,933
Fire Fighting Equipments/ Fire Hoses	128,299	-	-	-	-	-	128,299	15,597	23,094	-	-	-	38,691	89,608
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Passenger Vehicles	4,524,321	(2,500)	-	-	-	-	4,521,821	188,589	310,239	(1,080)	-	-	497,748	4,024,073
Trucks, Buses, LDV's	9,499,618	-	(333,800)	-	-	-	9,165,818	413,488	315,258	(151,929)	-	-	576,817	8,589,001
Trailers and accessories	531,700	-	-	-	-	-	531,700	64,051	25,522	-	-	-	89,573	442,127
Tracktors	3,739,400	-	-	-	-	-	3,739,400	335,194	119,661	-	-	-	454,855	3,284,545
Emergency Vehicles	9,018,230	3,485,120	(69,100)	-	-	-	12,434,250	359,436	711,338	(20,402)	-	-	1,050,372	11,383,879
Specialised Vehicles	1,677,000	-	-	-	-	-	1,677,000	13,224	53,664	-	-	-	66,888	1,610,112
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture and Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chairs and Couches	1,093,461	-	(28,826)	-	-	-	1,064,635	178,367	145,665	(21,967)	-	-	302,065	762,570
Tables & desks	1,155,471	-	-	-	-	-	1,155,471	143,832	156,940	-	-	-	300,772	854,698
Cabiners and Cupboards	591,164	-	-	-	-	-	591,164	74,783	82,027	-	-	-	156,810	434,354
Shelving and bookcases	104,638	30,158	-	-	-	-	134,796	9,619	23,137	-	-	-	32,756	102,040
Other Furniture and Fittings	134,700	-	-	-	-	-	134,700	12,731	24,246	-	-	-	36,977	97,724
Beds	187,120	-	-	-	-	-	187,120	33,441	34,182	-	-	-	67,623	119,497
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Radio Equipment	403,185	18,386	-	-	-	-	421,571	65,619	72,989	-	-	-	138,608	282,963
Plant and Equipment - Other	820,055	94,884	(770)	-	-	-	914,169	83,312	157,732	(539)	-	-	240,505	673,663
Workshop equipment and tools	370,139	94,068	-	-	-	-	464,207	35,348	81,342	-	-	-	116,690	347,517
Lawnmowers/gardening equipments	9,098	-	-	-	-	-	9,098	2,254	2,047	-	-	-	4,301	4,797
Generators	1,601,140	29,084	-	-	-	-	1,630,224	316,719	208,264	-	-	-	524,983	1,105,241
Compressors	60,893	30,868	-	-	-	-	91,761	15,658	11,319	-	-	-	26,977	64,784
Earth Moving Equipment	540,000	-	-	-	-	-	540,000	18,375	48,600	-	-	-	66,975	473,025
Sports Equipment	1,500	-	-	-	-	-	1,500	135	270	-	-	-	405	1,095
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Hardware	2,077,552	146,253	(357,370)	-	-	-	1,866,435	365,345	465,097	(312,423)	-	-	518,019	1,348,417
Office Equipment	91,947	-	(18,547)	-	-	-	73,400	24,332	16,016	(16,646)	-	-	23,702	49,698
Office Machines	402,817	16,550	-	-	-	-	419,367	48,774	78,323	-	-	-	127,097	292,270
Air Conditions	741,008	-	-	-	-	-	741,008	72,993	171,008	-	-	-	244,001	497,007
Domestic Equipment	117,211	-	-	-	-	-	117,211	16,357	21,567	-	-	-	37,924	79,287
Audiovisual Equipment	155,186	-	(8,178)	-	-	-	147,008	15,990	27,975	(3,979)	-	-	39,986	107,022
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	40,989,105	4,036,163	(819,091)	-	-	-	44,206,177	3,059,886	3,624,310	(528,965)	-	-	6,155,231	38,050,947

Appendix B

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

Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Opening Cost Adj Rand	Revaluations Rand	Under Construction Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	45,172,672	3,820,015	(730,000)	-	-	73,026,353	121,289,040	5,699,191	1,329,434	-	-	-	7,028,625	114,260,415
Infrastructure	7,315,878,321	27,039,069	-	-	-	241,132,886	7,584,050,276	2,871,888,355	157,843,523	-	-	-	3,029,731,878	4,554,318,398
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	432,000	-	-	-	-	-	432,000	-	-	-	-	-	-	432,000
Finance leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	40,989,105	4,036,163	(819,091)	-	-	-	44,206,177	3,059,886	3,624,310	(528,965)	-	-	6,155,231	38,050,947
	7,402,472,098	34,895,247	(1,549,091)	-	-	314,159,239	7,749,977,493	2,880,647,432	162,797,267	(528,965)	-	-	3,042,915,734	4,707,061,760
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	414,578	683,182	-	-	-	-	1,097,760	204,032	113,986	-	-	-	318,018	779,741
Other	13,991,354	-	-	-	-	-	13,991,354	3,614,753	699,568	-	-	-	4,314,321	9,677,034
	14,405,932	683,182	-	-	-	-	15,089,114	3,818,785	813,554	-	-	-	4,632,339	10,456,775
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land and buildings	45,172,672	3,820,015	(730,000)	-	-	73,026,353	121,289,040	5,699,191	1,329,434	-	-	-	7,028,625	114,260,415
Infrastructure	7,315,878,321	27,039,069	-	-	-	241,132,886	7,584,050,276	2,871,888,355	157,843,523	-	-	-	3,029,731,878	4,554,318,398
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	432,000	-	-	-	-	-	432,000	-	-	-	-	-	-	432,000
Finance leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	40,989,105	4,036,163	(819,091)	-	-	-	44,206,177	3,059,886	3,624,310	(528,965)	-	-	6,155,231	38,050,947
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	14,405,932	683,182	-	-	-	-	15,089,114	3,818,785	813,554	-	-	-	4,632,339	10,456,775
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	7,416,878,030	35,578,429	(1,549,091)	-	-	314,159,239	7,765,066,607	2,884,466,217	163,610,821	(528,965)	-	-	3,047,548,073	4,717,518,535

Appendix B

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

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under Construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Additions Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	48,255,625	-	-	-	-	-	48,255,625	(9,651,125)	-	-	(2,573,633)	-	(12,224,758)	36,030,867
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Reservoirs & Reticulation	1,742,182,523	60,816,134	-	-	50,916,470	-	1,853,915,127	(274,162,436)	-	-	(90,345,979)	(1,867,181)	(366,375,596)	1,487,539,531
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification & Reticulation	231,140,839	199,728	-	-	24,740,735	-	256,081,302	(31,409,819)	-	-	(9,622,726)	-	(41,032,545)	215,048,757
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,021,578,987	61,015,862	-	-	75,657,205	-	2,158,252,054	(315,223,380)	-	-	(102,542,338)	(1,867,181)	(419,632,899)	1,738,619,155
Community Assets														
Land	2,900,000	4,549,526	-	-	-	-	7,449,526	-	-	-	-	-	-	7,449,526
Buildings	66,067,586	-	-	-	-	19,398,798	85,466,384	(4,175,435)	-	-	(1,130,489)	-	(5,305,924)	80,160,460
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	68,967,586	4,549,526	-	-	-	19,398,798	92,915,910	(4,175,435)	-	-	(1,130,489)	-	(5,305,924)	87,609,986

Appendix B

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

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

Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets													
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	5,122,774	6,946,401	(3,933)	-	-	12,065,242	(221,210)	1,771	-	(1,130,264)	-	(1,349,703)	10,715,539
Computer Equipment	2,094,705	453,500	(592,527)	-	-	1,955,678	(1,263,589)	572,668	-	(253,031)	-	(943,952)	1,011,726
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2,578,966	91,641	(17,730)	-	-	2,652,877	(563,146)	14,544	-	(146,710)	(1,258)	(696,570)	1,956,307
Office Equipment	1,004,727	85,259	(4,175)	-	-	1,085,811	(311,026)	4,175	-	(96,877)	(858)	(404,586)	681,225
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	10,982,214	-	-	-	-	10,982,214	(4,495,929)	-	-	(806,384)	(17,622)	(5,319,935)	5,662,279
Fencing	97,569	-	-	-	-	97,569	(20,001)	-	-	(3,252)	-	(23,253)	74,316
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Health Equipment	184,536	-	-	-	-	184,536	(113,275)	-	-	(14,253)	-	(127,528)	57,008
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised Vehicles	6,847,188	-	-	-	-	6,847,188	(1,155,301)	-	-	(234,803)	-	(1,390,104)	5,457,084
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	28,912,679	7,576,801	(618,365)	-	-	35,871,115	(8,143,477)	593,158	-	(2,685,574)	(19,738)	(10,255,631)	25,615,484

Appendix B

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

Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Under Construction Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Additions Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	2,021,578,987	61,015,862	-	-	75,657,205	-	2,158,252,054	(315,223,380)	-	-	(102,542,338)	(1,867,181)	(419,632,899)	1,738,619,155
Community Assets	68,967,586	4,549,526	-	-	-	19,398,798	92,915,910	(4,175,435)	-	-	(1,130,489)	-	(5,305,924)	87,609,986
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	28,912,679	7,576,801	(618,365)	-	-	-	35,871,115	(8,143,477)	593,158	-	(2,685,574)	(19,738)	(10,255,631)	25,615,484
	2,119,459,252	73,142,189	(618,365)	-	75,657,205	19,398,798	2,287,039,079	(327,542,292)	593,158	-	(106,358,401)	(1,886,919)	(435,194,454)	1,851,844,625
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance Lease														
FINANCE LEASE ASSETS	2,774,534	-	(255,737)	-	-	-	2,518,797	(785,411)	-	255,937	(571,839)	-	(1,101,313)	1,417,484
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,774,534	-	(255,737)	-	-	-	2,518,797	(785,411)	-	255,937	(571,839)	-	(1,101,313)	1,417,484
Investment properties														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														
Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	2,021,578,987	61,015,862	-	-	75,657,205	-	2,158,252,054	(315,223,380)	-	-	(102,542,338)	(1,867,181)	(419,632,899)	1,738,619,155
Community Assets	68,967,586	4,549,526	-	-	-	19,398,798	92,915,910	(4,175,435)	-	-	(1,130,489)	-	(5,305,924)	87,609,986
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	28,912,679	7,576,801	(618,365)	-	-	-	35,871,115	(8,143,477)	593,158	-	(2,685,574)	(19,738)	(10,255,631)	25,615,484
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance Lease	2,774,534	-	(255,737)	-	-	-	2,518,797	(785,411)	-	255,937	(571,839)	-	(1,101,313)	1,417,484
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2,122,233,786	73,142,189	(874,102)	-	75,657,205	19,398,798	2,289,557,876	(328,327,703)	593,158	255,937	(106,930,240)	(1,886,919)	(436,295,767)	1,853,262,109

Appendix D

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

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
765,985,240	61,352,922	704,632,318	Executive & Council/Mayor and Council	,003,826,771	62,466,719	941,360,052
-	36,254,134	(36,254,134)	Finance & Admin/Finance	-	49,496,594	(49,496,594)
-	8,912,826	(8,912,826)	Planning and Development/Economic Development/Plan	-	8,109,767	(8,109,767)
-	2,707,831	(2,707,831)	Health/Clinics	-	2,806,213	(2,806,213)
-	5,765,808	(5,765,808)	Comm. & Social/Libraries and archives	-	5,302,421	(5,302,421)
-	37,913,548	(37,913,548)	Public Safety/Police	-	36,496,409	(36,496,409)
188,560,615	292,245,426	(103,684,811)	Waste Water Management/Sewerage	139,886,025	362,463,781	(222,577,756)
-	5,861,068	(5,861,068)	Road Transport/Roads	-	3,233,893	(3,233,893)
(10,403,274)	473,938,486	(484,341,760)	Water/Water Distribution	-	421,534,092	(421,534,092)
-	659,033	(659,033)	Electricity /Electricity Distribution	-	746,683	(746,683)
(196,968)	2,918,621	(3,115,589)	Other/Air Transport	-	205,837,733	(205,837,733)
943,945,613	928,529,703	15,415,910		,143,712,796	,158,494,305	(14,781,509)
Municipal Owned Entities Other charges						
943,945,613	928,529,703	15,415,910	Municipality	,143,712,796	,158,494,305	(14,781,509)
943,945,613	928,529,703	15,415,910	Total	,143,712,796	,158,494,305	(14,781,509)

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld				
FMG	NT	1,250	-	-	-	-	577	247	82	346	-	-	-	-	-	-
MIG	CoGTA	2,081	-	76,000	97,501	-	39,465	57,220	23,289	29,001	-	-	-	-	-	-
MSIG	CoGTA	890	-	-	-	-	391	34	465	-	-	-	-	-	-	-
MWIG	DWA	3,868	-	13,038	-	-	-	-	313	16,593	-	-	-	-	-	-
Nkambako(RBIG)	DWA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RHIG	DPH	-	-	8,500	-	-	-	-	3,143	5,357	-	-	-	-	-	-
Expanded Works Programme	DPW	-	400	600	-	-	-	-	1,000	-	-	-	-	-	-	-
Mameja Sekororo	DWA	41,643	13,267	37,558	-	-	9,109	24,924	24,210	11,786	-	-	-	-	-	-
DWA (Refurbishment)	DWA	-	10,000	8,000	-	-	-	400	9,220	1,571	-	-	-	-	-	-
DWA Nandoni	DWA	22,242	6,924	4,883	-	-	1,357	759	10,991	498	-	-	-	-	-	-
Rural Road Assets Man	DRT	1,726	-	-	-	-	212	237	313	244	-	-	-	-	-	-
Nkambako RBIG	DWA	41,643	13,267	37,558	-	-	9,109	24,924	24,210	11,786	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		15,343	43,858	86,137	97,501	-	60,220	08,745	97,236	77,182	-	-	-	-	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share. These figures are rounded off to the nearest one thousand rands (R'000)