

# Financial Statements

for

## **XHARIEP DISTRICT MUNICIPALITY**

for the period ended 30 June:

**2014**

Province:

Free State

AFS rounding:

**R (i.e. only cents)**

### **Contact Information:**

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**XHARIEP DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
**for the period ended 30 June 2014**

**Nature of Business**

Xariep District Municipality is a district municipality performing the functions as set out in the Constitution (Act no 105 of 1996).”

**Jurisdiction**

The Xariep District Municipality includes the municipal areas of Mohokare Local Municipality, Naledi Local Municipality, Letsemeng Local Municipality and Kopanong Local Municipality

**General information**

**Members of the Council**

Clr MG Ntwanambi	Executive Mayor
Clr MJ Sehanaka	Speaker
Clr AV Mona	Member of the Mayoral Committee - Budget & Treasury Office
Clr GM Modise	Member of the Mayoral Committee - Corporate Services
Clr NI Mehlomakulu	Member of the Mayoral Committee - Planning & Social Development
Clr NS Jafta	Part time Councillor
Clr MM Khotlele	Part time Councillor
Clr PM Dibe	Part time Councillor
Clr MJ Mohapi	Part time Councillor
Clr NC Spochter	Part time Councillor
Clr H Shebe	Part time Councillor
Clr SA Sola	Part time Councillor
Clr JJ Makitle	Part time Councillor
Clr MJ Mothupi	Part time Councillor
Clr AJ van Rensburg	Part time Councillor
Clr ML Sehloho	Part time Councillor

**Municipal Manager**

MM Kubeka

**Chief Financial Officer**

L Mashiane

**Grading of Local Authority**

Low Capacity

**Auditors**

Auditor-General

**Bankers**

ABSA Bank Limited

**XHARIEP DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
for the period ended 30 June 2014

**General information (continued)**

**Registered Office:** Xhariep District Municipality

**Physical address:** 20 Louw Street  
Trompsburg  
9913

**Postal address:** P.O. Box 136  
Trompsburg  
9913

**Telephone number:** 0517139300

**Fax number:** 0517130461

**website:** [www.xhariep.gov.za](http://www.xhariep.gov.za)

**XHARIEP DISTRICT MUNICIPALITY  
FINANCIAL STATEMENTS  
for the period ended 30 June 2014**

**Approval of annual financial statements**

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality 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 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 period to June 30, 2015 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.

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

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

The financial statements, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2014 and were signed on its behalf by:

\_\_\_\_\_  
Accounting Officer  
MM Kubeka

**XHARIEP DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS**  
for the period ended 30 June 2014

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**Abbreviations**

COID	Compensation for Occupational Injuries and Diseases
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)
MMC	Member of the Mayoral Committee

**XHARIEP DISTRICT MUNICIPALITY  
STATEMENT OF FINANCIAL POSITION  
as at 30 June 2014**

	Note	Jun 2014	Jun 2013
		R	R
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	2	167 659	123 671
Trade and other receivables	3	1 737 141	806 729
VAT receivable	4	856 851	979 901
Cash and cash equivalent	5	769 595	1 819 068
<b>Non-current assets</b>			
Property, plant and equipment	6	19 214 892	20 082 803
Intangible assets	7	613 789	739 015
<b>Total assets</b>		<b>23 359 928</b>	<b>24 551 187</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables from exchange transactions	8	6 098 965	6 291 487
Unspent conditional grants and receipts	9	1 699 651	1 992 053
Long service bonus	10	260 000	237 000
<b>Non-current liabilities</b>			
Long service bonus	10	1 113 000	879 000
<b>Total liabilities</b>		<b>9 171 616</b>	<b>9 399 540</b>
<b>Net assets</b>		<b>14 188 312</b>	<b>15 151 647</b>
<b>NET ASSETS</b>			
Accumulated surplus		14 188 312	15 151 647
<b>Total net assets</b>		<b>14 188 312</b>	<b>15 151 647</b>

**XHARIEP DISTRICT MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
for the period ended 30 June 2014**

	Note	Jun 2014	Jun 2013
		R	R
<b>Revenue</b>			
<b>Revenue from exchange transaction</b>			
Rental of facilities and equipment	11	524 860	432 517
Interest earned - external investments	12,1	95 892	234 275
Interest earned - outstanding receivables	12,2	162 313	49 541
Other income	14	184 623	72 623
		<b>967 688</b>	<b>788 956</b>
<b>Revenue from non exchange transactions</b>			
Government grants and subsidies	13	55 359 046	40 588 152
<b>Total revenue</b>		<b>56 326 734</b>	<b>41 377 108</b>
<b>Expenses</b>			
Employee related costs	15	33 992 915	30 159 010
Remuneration of councillors	16	3 624 702	3 318 054
Depreciation and amortisation expense	17	2 121 592	3 648 189
Finance costs	18	70 941	286 676
Debt Impairment		186 989	10 777 736
Repairs and maintenance		1 617 176	1 271 312
General expenses	19	14 914 624	21 284 269
<b>Total expenses</b>		<b>56 528 940</b>	<b>70 745 247</b>
Gain/ (Loss) on sale of assets	20	71 053	(21 966)
Impairment loss	21	(352 657)	-
<b>Surplus / (deficit) for the period</b>		<b>(483 810)</b>	<b>(29 390 105)</b>

**XHARIEP DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
for the period ended 30 June 2014

		Accumulated Surplus/(Deficit)	Total: Net Assets
		R	R
	Note		
<b>Balance at 30 June</b>	<b>2012</b>	<b>44 541 751</b>	44 541 751
<b>Restated balance</b>		<b>44 541 751</b>	44 541 751
Transfers to / from accumulated surplus/(deficit)		-	-
Surplus / (deficit) for the period		(29 390 105)	(29 390 105)
<b>Balance at 30 June</b>	<b>2013</b>	<b>15 151 646</b>	<b>15 151 646</b>
Correction of prior period error	36	(479 524)	(479 524)
<b>Restated balance</b>		<b>14 672 122</b>	<b>14 672 122</b>
Transfers to / from accumulated surplus/(deficit)		-	-
Surplus / (deficit) for the period		(483 810)	(483 810)
<b>Balance at 30 June</b>	<b>2014</b>	<b>14 188 312</b>	<b>14 188 312</b>



<b>XHARIEP DISTRICT MUNICIPALITY</b>			
<b>CASH FLOW STATEMENT</b>			
<b>for the period ended 30 June 2014</b>			
	Note	Jun 2014	Jun 2013
		R	R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts		56 068 529	41 125 895
Government grants and other income		56 068 529	41 125 895
Payments		(52 962 133)	(53 012 242)
Payment of suppliers and employees		(52 962 133)	(53 012 242)
<b>Net cash flows from operating activities</b>	22	<b>3 358 942</b>	<b>(11 886 347)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of PPE	6	(458 934)	(1 457 514)
Proceeds from sale of PPE		71 053	24 731
Purchase of intangible assets		-	(472 079)
Purchase of financial assets		-	-
Proceeds from sale of financial assets		-	5 000 000
<b>Net cash flows from investing activities</b>		<b>(387 882)</b>	<b>3 095 138</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of finance lease liability		(234 000)	(451 903)
Interest income		258 205	283 816
Finance costs		(70 941)	-
<b>Net cash flows from financing activities</b>		<b>(46 736)</b>	<b>(168 087)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>(1 049 473)</b>	<b>(9 243 022)</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>1 819 068</b>	<b>11 062 090</b>
<b>Net cash and cash equivalents at end of period</b>	5	<b>769 595</b>	<b>1 819 068</b>

## Xhariep District Municipality

for the period ended 30 June 2014

### Statement of Comparison of Budget and Actual Amounts

#### Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between approved budget and actual	Variance %	Reference
<b>Figures in Rand</b>							
<b>Statement of Financial Performance</b>							
<b>Revenue</b>							
<b>Revenue from exchange transactions</b>							
Rental of facilities and equipment	340 723	0	340 723	524 860	-184 137	-54%	note 35
Other income	103 774	0	103 774	184 623	-80 849	-78%	note 35
Interest income	139 358	-10 758	128 600	258 205	-129 605	-101%	note 35
<b>Total revenue from exchange transactions</b>	<b>583 855</b>	<b>-10 758</b>	<b>573 097</b>	<b>967 688</b>	<b>-394 591</b>		<b>0</b>
<b>Revenue from non-exchange transactions</b>							
<b>Taxation revenue</b>							
Government grants & subsidies	59 971 000	0	59 971 000	55 359 046	4 611 954	8%	
<b>Total revenue</b>	<b>60 554 855</b>	<b>-10 758</b>	<b>60 544 097</b>	<b>56 326 734</b>	<b>4 217 363</b>		<b>0</b>
<b>Expenditure</b>							
Employee related costs	34 411 006	-1 828 015	32 582 991	33 992 915	-1 409 924	-4%	
Remuneration of councillors	3 239 545	0	3 239 545	3 624 702	-385 157	-12%	note 35
Depreciation and amortisation	3 866 862	-500 000	3 366 862	2 121 592	1 245 270	37%	note 35
Finance costs	0	0	0	70 941	-70 941	0%	
Debt impairment	0	0	0	186 989	-186 989	0%	
Repairs and maintenance	1 151 000	166 562	1 317 562	1 617 176	-299 614	-23%	note 35
General Expenses	14 718 087	2 949 565	17 667 652	14 914 624	2 753 028	16%	note 35
<b>Total expenditure</b>	<b>57 386 500</b>	<b>788 112</b>	<b>58 174 612</b>	<b>56 528 940</b>	<b>1 645 672</b>		<b>0</b>
<b>Operating deficit</b>	<b>3 168 355</b>	<b>-798 870</b>	<b>2 369 485</b>	<b>-202 206</b>	<b>2 571 691</b>		
Loss on disposal of assets and liabilities	0						
<b>Deficit before taxation</b>	<b>3 168 355</b>	<b>-798 870</b>	<b>2 369 485</b>	<b>-202 206</b>	<b>2 571 691</b>		
<b>Actual Amount on Comparable Basis as presented in the Budget and Actual Comparative Statement</b>	<b>3 168 355</b>	<b>-798 870</b>	<b>2 369 485</b>	<b>-202 206</b>	<b>2 571 691</b>		

## Xhariep District Municipality

Appropriation Statement Budget on Cash Basis											
	Budget				Virement (i.t.o. council approved policy)	Final Budget	Actual Outcome	Unauthorised Variance expenditure	Variances	Actual outcome as % of final budget %	Actual outcome as % of original budget
	Original budget	Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustment Budget	Shifting of funds (i.t.o. s31 of the MFMA)							
<b>Figures in Rand</b>											
<b>Financial Performance</b>											
<b>Revenue</b>											
<b>Revenue from exchange transactions</b>											
Rental of facilities and equipment	340 723	0	340 723	0	0	340 723	524 860	0	-184 137	154%	154%
Other income	103 774	0	103 774	0	0	103 774	62 012	0	41 762	60%	60%
Interest income	139 358	-10 758	128 600	0	0	128 600	256 003	0	-127 403	199%	184%
<b>Total revenue from exchange transactions</b>	<b>583 855</b>	<b>-10 758</b>	<b>573 097</b>	<b>0</b>	<b>0</b>	<b>573 097</b>	<b>842 875</b>	<b>0</b>	<b>-269 778</b>		
<b>Revenue from non-exchange transactions</b>											
<b>Taxation revenue</b>	<b>59 971 000</b>	<b>59 971 000</b>	<b>59 971 000</b>	<b>0</b>	<b>0</b>	<b>59 971 000</b>	<b>54 604 982</b>	<b>0</b>	<b>5 366 018</b>	<b>91%</b>	<b>91%</b>
Government grants & subsidies	60 554 855	59 960 242	60 544 097	0	0	60 544 097	55 447 857	0			
<b>Total revenue</b>	<b>34 411 006</b>	<b>-1 828 015</b>	<b>32 582 991</b>	<b>0</b>	<b>0</b>	<b>32 582 991</b>	<b>33 992 915</b>	<b>-1 409 924</b>	<b>-1 409 924</b>	<b>104%</b>	<b>99%</b>
<b>Expenditure</b>	<b>3 239 545</b>	<b>0</b>	<b>3 239 545</b>	<b>0</b>	<b>0</b>	<b>3 239 545</b>	<b>3 624 702</b>	<b>-385 157</b>	<b>-385 157</b>	<b>112%</b>	<b>112%</b>
Employee related costs	3 866 862	-500 000	3 366 862	0	0	3 366 862	2 121 592	0	1 245 270	63%	55%
Remuneration of councillors	0	0	0	0	0	0	70 941	-70 941	-70 941	0%	0%
Depreciation and amortisation	0	0	0	0	0	0	186 989	-186 989	-186 989	0%	0%
Finance costs	1 151 000	166 562	1 317 562	0	0	1 317 562	1 617 176	-299 614	-299 614	123%	141%
Debt impairment	14 718 087	2 949 565	17 667 652	-10 600	138 552	17 667 652	14 914 624	0	-557 545	84%	101%
Repairs and maintenance	57 386 500	788 112	58 174 612	-10 600	138 552	58 174 612	56 528 940	-2 352 626	-1 664 900	0	0
General Expenses	3 168 355	59 172 130	2 369 485	10 600	-138 552	2 369 485	-1 081 083	2 352 626	1 664 900	0	0
<b>Total expenditure</b>	<b>3 168 355</b>	<b>59 172 130</b>	<b>2 369 485</b>	<b>10 600</b>	<b>-138 552</b>	<b>2 369 485</b>	<b>-1 081 083</b>	<b>2 352 626</b>	<b>1 664 900</b>	<b>0</b>	<b>0</b>
<b>Surplus(Deficit) for the year</b>											

**XHARIEP DISTRICT MUNICIPALITY  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
for the period ended 30 June 2014**

**1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS**

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

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

These accounting policies are consistent with the previous period, unless otherwise stated.

**1.1 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, Loans and Receivables**

The municipality assesses its trade receivables 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 management 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.

**Useful lives and residual values**

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

**Long Service Bonus**

The present value of the long service bonus 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 long service bonus 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 long service bonus obligation. 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.

**Effective interest rate and deferred payment terms**

The entity used the prime interest rate adjusted for rates used by main suppliers or creditors to discount future cash flows.

**Leave and bonus provisions**

The entity used the leave days and bonus paid date to estimate the provisions respectively.

**1.2 Property, plant and equipment**

Property, plant and equipment are tangible non-current 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.

## 1.2 Property, plant and equipment (continued)

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 at no cost, or for a nominal cost, 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 at acquisition date. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, 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 shall be depreciated separately.

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.

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.

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 shall be depreciated separately.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

### Subsequent measurement - Cost model

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

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### Depreciation and impairment

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

Land is not depreciated and depreciation commence when the asset is ready for intended use.

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

Item	Estimated useful life
Buildings	25 - 30
Security System	5 - 10
Plant and machinery	3 - 15
Furniture and fittings	3 - 15
Motor vehicles	4 - 7
Office equipment	5 - 10
Computer equipment	3 - 10
Computer Software	2 - 5

### Finance lease assets

Office equipment	The shorter of asset's useful life or the lease term
Other assets	The shorter of asset's useful life or the lease term

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.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous 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.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

No items of property, plant and equipment are pledged as security for liabilities.

### 1,3 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition. Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated 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.

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

Item	Useful life
Computer software	3 - 10 years
Right to use land	The shorter of right to use land or useful life

Intangible assets are derecognised:

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

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

No items of intangible assets are pledged as security for liabilities.

### 1,4 Financial instruments

#### Classification

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

- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

#### Initial recognition and measurement

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

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

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

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

#### **Subsequent measurement**

##### **Loans and receivables**

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

##### **Held-to-maturity investments**

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

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

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

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

##### **Fair value determination**

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The fair values of quoted investments, such as available for sale investments are based on current bid prices.

If the market for a financial asset is not active and for unlisted securities, the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

##### **Impairment of financial assets**

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

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

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

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

##### **Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

##### **Payables from exchange transactions**

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

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible to a known amount of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loan and receivables.

#### **Investments**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

#### **Held to maturity**

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

#### **Financial liabilities**

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

Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortised cost, and are subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### **Gains and losses**

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

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

#### **Impairment of financial assets**

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

Assets are carried at amortised cost.

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

### **1,5 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 - Lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability. Any contingent rents are expensed in the period in which they are incurred.



#### **Operating leases - lessor**

Operating lease revenue is recognised as revenue 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 either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue. The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

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 either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa.

#### **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.

### **1,6 Inventory**

Inventory are initially measured at cost except where inventory are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

Inventory 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 inventory comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to their present location and condition.

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

When inventory are sold, the carrying amounts of those inventory 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 inventory to net realisable value or current replacement cost and all losses of inventory are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventory recognised as an expense in the period in which the reversal occurs.

### **1,7 Employee benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

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.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

#### **Defined contribution plans**

The municipality contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed or state plans retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

## 1,8 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.

### Onerous contracts

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

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

## 1,9 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 entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

### Measurement

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

### Sale of goods

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

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

### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### Interest

Revenue arising from the use by others of municipality 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.

**1,10 Revenue from non-exchange transactions**

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

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

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

**Measurement**

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

**Government grants**

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,

- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

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

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

**Other Grants and donations**

Other grants and donations are recognised as revenue when:

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

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

**1,11 Investment income**

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

**1,12 Comparative figures**

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

The comparative figures have not been restated.

**1,13 Unauthorised expenditure**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

**1,14 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.

Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

**1,15 Irregular expenditure**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

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

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

Detailed disclosures were made in the notes to the financial statements as required by the MFMA.

**1,16 Use of estimates**

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

**1,17 Presentation of currency**

These annual financial statements are presented in South African Rand.

All figures presented in the annual financial statements have been rounded to the nearest Rand.

**1,18 Offsetting**

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

**1,19 Conditional grants and receipts**

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

**1,20 Going concern**

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

The municipality cannot continue to operate without receiving government grants. However the going concern assumption is based on the fact that according to DoRA the municipality will continue to receive government grants for the next three years.

**1,21 Budget information**

Municipalities 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 municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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 annual financial statements.

The Statement of comparative and actual information have 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.

Comparative information is not required.

**1,22 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 local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. We regard all individuals from the level of Accounting Officer and Council members as key management per the definition of the financial reporting standard.

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

### 1,23 Impairment of assets

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

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

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:  
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

### 1,24 New Standards and Interpretations

#### Standards and interpretations issued, but not yet effective

The municipality has not yet applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2013 or later periods:

Standard	Effective Date
GRAP 18: Segment Reporting	April 1, 2016
GRAP 105: Transfers of functions between entities under common control	April 1, 2014
GRAP 106: Transfers of functions between entities not under common control	April 1, 2014
GRAP 107: Mergers	April 1, 2014
GRAP 20: Related Parties	April 1, 2014
IGRAP 11: Consolidation - Special purpose entities	April 1, 2014
IGRAP 12: Jointly controlled entities - Non-monetary contributions by ventures	April 1, 2014
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	April 1, 2014
GRAP 7 (as revised 2010): Investment in Associates	April 1, 2014
GRAP 8 (as revised 2010): Interest in Joint Ventures	April 1, 2014
GRAP 32: Service Concession Arrangements: Grantor	April 1, 2015
GRAP 108: Statutory Receivables	April 1, 2015
IGRAP 17: Service Concession Arrangements where Grantor Controls a Significant Residual Interest in an Asset	April 1, 2015

#### Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2013 or later periods but are not relevant to its operations:

Standard	Effective Date
GRAP 12 (as revised 2012): Inventories	April 1, 2013
IGRAP 1 (as revised 2012): Applying the probability test on initial recognition of revenue	April 1, 2013

#### Standards and interpretations adopted and effective

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2013 or later periods but are not relevant to its operations:

Standard
GRAP 1: Presentation of Financial Statements
GRAP 2: Cash Flow Statement
GRAP 3: Accounting Policies, Change in Accounting Estimate and Errors
GRAP 4: The Effects of Changes in Foreign Exchange Rates
GRAP 5: Borrowing Costs
GRAP 6: Consolidated and Separate Financial Statements
GRAP 7: Investment in Associates
GRAP 8: Interest in Joint Ventures
GRAP 9: Revenue from Exchange Transactions
GRAP 10: Financial Reporting in Hyperinflationary Economics
GRAP 11: Construction Contracts
GRAP 12: Inventories
GRAP 13: Leases
GRAP 14: Events after the reporting date
GRAP 16: Investment Property
GRAP 17: Property, Plant and Equipment
GRAP 19: Provisions, Contingent Liabilities and Contingent Assets
GRAP 21: Impairment of Non-cash Generating Assets
GRAP 23: Revenue from Non-Exchange Transactions
GRAP 24: Presentation of Budget Information in Financial Statements
GRAP 25: Employee Benefits
GRAP 26: Impairment of Cash Generating assets
GRAP 27: Agriculture (Replaces GRAP 101)
GRAP 31: Intangible Assets (Replaces GRAP 102)
GRAP 100: Non-current Assets Held for Sale and Discontinued Operations
GRAP 101: Agriculture (Replaced by GRAP 27)
GRAP 102: Intangible Assets (Replaced by GRAP 31)
GRAP 103: Heritage Assets
GRAP 104: Financial Instruments

#### 1,25 Taxation

The charge for the current tax is based on the results for the year, as adjusted for the items that are exempt or disallowed. It is calculated using the tax rates that have been enacted or substantively enacted by the Income Tax Act, VAT Act and other South African legislated Tax requirements.

The Municipality is registered on the payment basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.

#### 1,26 Accounting Policies, Changes in Accounting Estimates and Errors

Accounting Policies, Changes in Accounting Estimates and Errors is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors.

The standard requires compliance with any specific GRAP standards applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

**XHARIEP DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the period ended 30 June 2014**

Note	Jun 2014 R	Jun 2013 R
<b>2 INVENTORIES</b>		
Opening balance of inventories:	<b>167 659</b>	<b>123 671</b>
Inventory - Stationery	60 682	70 829
Inventory - Cleaning material	106 977	52 842
<b>Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC):</b>	<b>-</b>	<b>-</b>
Inventory - Stationery	-	-
Inventory - Cleaning material	-	-

No inventory was pledged as security for any financial liability

**3 Trade and other Receivables**

	R	R
Trade debtors	1 448 745	612 074
Prepaid Expense	6 380	44 976
Other debtors	282 016	149 679
<b>Total Trade and other receivables</b>	<b>1 737 141</b>	<b>806 729</b>

Fair value of trade and other receivables

	R	R
<b>Trade debtors Ageing</b>		
Current (0 – 30 days)	213 033	102 928
31 - 60 Days	75 959	33 219
61 - 90 Days	77 081	40 715
91 - 120 Days	68 117	5 003
121 - 150 Days	73 404	26 352
151 - 180 Days	1 897 537	2 384
+180 Days	-	1 174 819
Less Provision for doubtful debts	(956 386)	-773 344
<b>Total</b>	<b>1 448 745</b>	<b>612 076</b>

**Summary of Debtors by Customer Classification**

	Industrial / Commercial R	National and Provincial Government R
<b>as at 30 June 2014</b>		
Current (0 – 30 days)	23 427	189 606
31 - 60 Days	-	75 959
61 - 90 Days	-	77 081
91 - 120 Days	-	68 117
121 - 365 Days	800	1 970 141
+ 365 Days		
Sub-total	<b>24 227</b>	<b>2 380 903</b>
Less: Provision for doubtful debts	-	(956 386)
<b>Total debtors by customer classification</b>	<b>24 227</b>	<b>1 424 517</b>

	R	R
<b>as at 30 June 2013</b>		
Current (0 – 30 days)	9 135	93 794
31 - 60 Days	2 173	31 261
61 - 90 Days	13 760	26 955
91 - 120 Days	3 169	1 833
121 - 150 Days		26 353
151 - 180 Days		2 384
+ 180 Days	2 927	1 171 891
Less: Provision for doubtful debts		(773 344)
<b>Total debtors by customer classification</b>	<b>31 164</b>	<b>581 127</b>

**4 VAT RECEIVABLE**

VAT receivable	856 851	979 901
	<b>856 851</b>	<b>979 901</b>

The Municipality is registered on the payment basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.

**XHARIEP DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the period ended 30 June 2014**

	Note	Jun 2014 R	Jun 2013 R
<b>5 CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents consist of the following:			
Cash on hand		1 446	1 603
Short term deposits		813 794	-
Bank balance		(45 645)	1 817 465
		<u>769 595</u>	<u>1 819 068</u>
The Municipality has the following bank accounts: -			
<b>Current Account (Primary Bank Account)</b>			
ABSA Bank Limited - TROMPSBURG Branch: Account Number 4053628182			
Cash book balance at beginning of year		1 817 465	11 062 960
Cash book balance at end of year		(45 645)	1 817 465
Bank statement balance at beginning of year		1 817 465	11 062 960
Bank statement balance at end of year		(45 645)	1 817 465
<b>Current Account (Other Account)</b>			
Cash book balance at beginning of year		-	-
Cash book balance at end of year		-	-
Bank statement balance at beginning of year		-	-
Bank statement balance at end of year		-	-
Cash book balance at end of year		-	-
Bank statement balance at beginning of year		1 817 465	11 062 960
Bank statement balance at end of year		(45 645)	1 817 465
<b>Cash on hand</b>		1 446	1 603
Total cash and cash equivalents		<u>(44 199)</u>	<u>1 819 068</u>

The fair value of trade and other payables approximates their carrying amounts.



**Xhariep District Municipality**  
for the period ended 30 June 2014

**Notes to the Financial Statements**

**Figures in Rand**

**6. Property, plant and equipment**

	2014			2013		
	Cost/Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	16 764 704,11	-4 047 055,69	12 717 648,42	16 764 703,00	-3 562 483,19	13 202 219,81
Plant and machinery	2 107 869,91	-785 877,64	1 321 992,27	2 107 869,91	-521 479,19	1 586 390,72
Furniture and fittings	1 947 098,19	-1 012 708,08	934 390,11	1 960 040,66	-790 258,36	1 169 782,30
Motor vehicles	476 718,78	-212 937,74	263 781,04	1 143 971,03	-573 901,46	570 069,57
Office equipment	1 470 425,10	-666 912,27	803 512,84	1 433 223,35	-399 059,97	1 034 163,38
Computer equipment	2 238 332,68	-941 786,94	1 296 545,74	2 210 336,82	-826 323,29	1 384 013,53
Finance lease assets	0,00	-	0,00	1 281 358,00	-1 281 358,00	0,00
Security System	2 879 312,85	-1 002 291,05	1 877 021,80	2 879 312,85	-734 145,07	2 145 167,78
<b>Total</b>	<b>27 884 461,62</b>	<b>-8 669 569,41</b>	<b>19 214 892,21</b>	<b>29 795 608,00</b>	<b>-9 712 805,00</b>	<b>20 082 803,00</b>

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

	Additions	Disposals	Loss/ Theft (impairment)	Depreciation	Total
<b>Opening balance</b>					
Buildings	13 202 220,92	-	-	-484 572,50	12 717 648,42
Plant and machinery	1 586 390,72	-	-	-264 398,45	1 321 992,27
Furniture and fittings	1 169 782,30	1 868,42	-1 837,13	-228 608,78	934 390,11
Motor vehicles	570 069,57	183 769,76	-	-287 881,44	263 781,04
Office equipment	1 034 163,38	41 498,25	-	-10 916,34	803 512,84
Computer equipment	1 384 013,53	231 797,80	-	-32 034,30	1 296 545,74
Finance lease assets	-	-	-	-	-
Security System	2 145 167,78	-	-	-268 145,97	1 877 021,80
	<b>21 091 808,20</b>	<b>458 934,23</b>	<b>-1 837,13</b>	<b>-337 646,79</b>	<b>19 214 892,21</b>

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

	Additions	Disposals	Depreciation	Impairment loss	Total
<b>Opening balance</b>					
Buildings	13 580 445,58	105 151,88	-483 376,54	-	13 202 220,92
Plant and machinery	1 994 705,47	11 195,00	-419 509,75	-	1 586 390,72
Furniture and fittings	1 311 174,89	101 696,07	-242 391,19	-	1 169 782,30
Motor vehicles	839 751,47	-	-232 425,00	-	570 069,57
Office equipment	435 399,51	852 791,55	-1 484,34	-	1 034 163,38
Computer equipment	1 283 039,88	386 678,43	-277 119,38	-	1 384 013,53
Finance lease assets	353 020,00	-	-353 020,00	-	-
Security System	2 720 399,96	-	-575 232,18	-	2 145 167,78
Other property, plant and equipment	-	-	-	-	-
	<b>22 517 936,76</b>	<b>1 457 512,92</b>	<b>-2 835 617,38</b>	<b>-</b>	<b>21 091 808,20</b>

**Restrictions on title**

The land on which the Administrative Building of Xhariep District Municipality is built is owned by Kopanong Local Municipality.

XHARIEP DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the period ended 30 June 2014

7 INTANGIBLE ASSETS

7,1 Reconciliation of carrying value

	Computer Software R	Other R	Other R	Total R
<b>as at 1 July 2013</b>	739 015	-	-	739 015
Cost	1 252 257	-	-	1 252 257
Accumulated amortisation and impairment losses	(513 242)	-	-	(513 242)
Acquisitions	-	-	-	-
Amortisation	(125 226)	-	-	(125 226)
<b>as at 30 June 2014</b>	<b>613 789</b>	-	-	<b>613 789</b>
Cost	1 252 257	-	-	1 252 257
Accumulated amortisation and impairment losses	(638 468)	-	-	(638 468)

7,2 Reconciliation of Intangible assets

	Opening balance	Additions	Amortisation	Total
<b>as at 1 July 2013</b>				
Computer Software	455 024	472 079	(188 088)	739 015
<b>as at 30 June 2014</b>				
Computer Software	739 015	-	(125 226)	613 789

**XHARIEP DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the period ended 30 June 2014**

	Jun-14	Jun-13
<b>8 TRADE AND OTHER PAYABLES</b>		
Other creditors	508 938	490 344
Staff bonuses accrual	629 065	593 426
Staff leave accrual	3 234 486	2 585 508
Trade creditors	1 070 778	2 622 209
Deposit held	189	
Take on Suspense	(8 495)	
Salary control	664 004	
<b>Total creditors</b>	<b>6 098 965</b>	<b>6 291 487</b>

**9 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

Unspent conditional grants and receipts comprises of:

**Unspent conditional grants and receipts**

Municipal Systems Improvement Grant	182 794	227 944
THEITHA Grant	36 080	36 080
Provincial Infrastructure Grant	204 193	204 193
Finance Management Grant	-	403 152
Rural Roads and Asset Management Grant	155 900	-
Motheo District Municipality Disestablishment Grant	1 120 684	1 120 684
<b>Total Unspent Conditional Grants and Receipts</b>	<b>1 699 651</b>	<b>1 992 053</b>

**10 Long Service Provisions**

Non-current liabilities	1 113 000	879 000
Current liabilities	260 000	237 000
<b>Total Non-Current Provisions</b>	<b>1 373 000</b>	<b>1 116 000</b>

The long service awards liability arises from XDM being a party to the Collective Agreement on Conditions of Service for the Free State Division of SALGBC. This agreement is effective from 1 July 2010.

The long service awards plan is a defined benefit plan. At period end 69 employees were eligible for long service bonuses.

The current service cost for the ensuing year is estimated to be R260 000 (June 2014 - R260 000) whereas the interest cost for the next year is estimated to be R116,000.

The key assumptions utilised by management in determining the long service awards liability are listed below:

Discount rate	8%	7%
Salary increase	7%	7%
Net discount rate	1%	1%
Mortality	SA85-90	SA85-90
Normal Retirement age	65	63

**Present value of unfunded obligations:**

Present value of unfunded obligations at the beginning of the year	-	-
Fair value of plan assets unrecognised	-	-
Past service costs unrecognised	-	-
Actuarial gains/(losses)	-	-
Present value of unfunded obligations at year end	<b>1 373 000</b>	<b>1 116 000</b>

**Reconciliation of unfunded obligations:**

Present value of unfunded obligations at the beginning of the year	1 116 000	892 000
Total expenses	-	-
Current service costs	237 000	219 000
Long service awards paid	(83 000)	(54 456)
Interest costs	88 000	75 000
Actuarial gains/(losses)	15 000	(15 544)
	<b>1 373 000</b>	<b>1 116 000</b>

The effect of a 1% increase in the salary cost inflation assumption will lead to a 8% increase in the accrued liability at 30 June 2014.

The effect of a 1% decrease in the salary cost inflation assumption will lead to a 7% decrease in the accrued liability as at 30 June 2014.

Management has assumed that the estimates for 30 June 2014 are still adequate and no material movements would have taken place in a period of six months.

**11 RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities	524 860	432 517
Rental of equipment	-	-
Other rentals	-	-
<b>Total rentals</b>	<b>524 860</b>	<b>432 517</b>

**12 INTEREST**

**12.1 INTEREST EARNED - EXTERNAL INVESTMENTS**

Current bank account	5 796	3 720
Money market and call accounts	90 096	230 555
<b>Total</b>	<b>95 892</b>	<b>234 275</b>

**12.2 INTEREST EARNED - OUTSTANDING RECEIVABLES**

Electricity deposit	3 462	3 326
Trade and other receivables	158 851	46 215
<b>Total</b>	<b>162 313</b>	<b>49 541</b>

**XHARIEP DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the period ended 30 June 2014**

**13 GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	25 535 000	22 762 000
Municipal System Improvement Grant	708 150	888 532
EPWP	998 580	1 045 000
Financial Management Grant (FMG)	1 233 140	892 620
COGTA and Treasury Financial Assistance Grant7	25 771 076	15 000 000
RRAMG	1 113 100	-
<b>Total Government Grant and Subsidies</b>	<b>55 359 046</b>	<b>40 588 152</b>

**Other Government Grants and Subsidies**

**Municipal Systems Implementation Grant**

Balance unspent at beginning of year	227 944	116 476
Current year receipts	890 000	1 000 000
Conditions met - transferred to revenue	(708 150)	(888 532)
Rollover not approved - deducted from Equitable Share	(227 000)	-
Conditions still to be met - remain liabilities	182 794	227 944

*The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the local Government Municipal Systems Act of 2000.*

**THETHA Grant**

Balance unspent at beginning of year	36 080	36 080
--------------------------------------	--------	--------

*Grant will be used for capacity building of the municipality*

**Provincial Infrastructure Grant (PIG)**

Balance unspent at beginning of year	204 193	204 193
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	204 193	204 193

*The grant is used to subsidise municipal capital budget to eradicate backlogs in municipal infrastructure. The grant was specifically allocated for the completion of the sewerage treatment network which will later be transferred to Kopanong Local Municipality at no cost.*

**EPWP Grant**

Balance unspent at beginning of year	-	-
Current year receipts	998 580	1 045 000
Conditions met - transferred to revenue	(998 580)	(1 045 000)
Conditions still to be met - remain liabilities	-	-

*The purpose of the grant is to expand job creation programs.*

**Financial Management Grant (FMG)**

Balance unspent at beginning of year	403 152	45 772
Current year receipts	1 233 140	1 250 000
Rollover not approved - deducted from Equitable Share	(403 152)	-
Conditions met - transferred to revenue	(1 233 140)	(892 620)
Conditions still to be met - remain liabilities	-	403 152

*The purpose of the grant is to promote and support reforms to financial management and implementation of the Municipal Finance Management Act (MFMA)*

**Motheo District Municipality Disestablishment Grant**

Balance unspent at beginning of year	1 120 684	1 120 684
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	1 120 684	1 120 684

*The purpose of the grant is to provide general assistance to local municipalities within the district*

*as well as completing specific infrastructure projects on behalf of Naledi Local Municipality. The financial assistance grant has no conditions and can be used to finance the capital and operating activities of the Municipality in line with the Municipality Budget.*

**Equitable Share**

Opening balance	-	-
Current-year receipts	25 535 000	22 762 000
Conditions met - transferred to revenue	(25 535 000)	(22 762 000)
Set-off against prior period unspent conditional grants	-	-
Conditions still to be met - remain liabilities	-	-

*Equitable share has no conditions and can be used to finance the capital and operating activities of the Municipality in line with the Municipality Budget.*

**COGTA and Treasury Financial Assistance Grant**

Opening balance	-	-
Current-year receipts	25 771 076	15 000 000
Conditions met - transferred to revenue	(25 771 076)	(15 000 000)
Conditions still to be met - remain liabilities	-	-

*The financial assistance grant has no conditions and can be used to finance the capital and operating activities of the Municipality in line with the Municipality Budget.*

**14 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS**

**Other income**

Other income	169 140	72 623
Tender Documents	15 482	-
Recovery of unauthorised, irregular, fruitless and wasteful expenditure	-	-
<b>Total Other Income</b>	<b>184 623</b>	<b>72 623</b>

**15 EMPLOYEE RELATED COSTS**

Bonuses under remuneration	1 754 809	1 404 567
Employee related costs - Salaries and Wages	20 303 012	20 649 961
Employee related costs - Contributions for UIF, pensions and medical aids	4 601 561	4 666 895
Housing allowance and benefits	162 411	159 150
Travel, motor car, accommodation, subsistence and other allowances	7 171 122	3 258 437
<b>Employee Related Costs</b>	<b>33 992 915</b>	<b>30 150 010</b>

**Remuneration of the Municipal Manager**

Annual Remuneration	991 582	715 087
Travel, motor car, accommodation, subsistence and other allowances	293 107	146 486
Bonuses under remuneration	38 699	68 683
Contributions to UIF, Medical and Pension Funds	23 925	136 225
<b>Total</b>	<b>1 347 313</b>	<b>1 066 481</b>

**XHARIEP DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the period ended 30 June 2014**

<b>Remuneration of the Chief Financial Officer: EN Mokhesue</b>		
Annual Remuneration	-	640 621
Bonuses under remuneration	-	58 895
Travel, motor car, accommodation, subsistence and other allowances	-	164 548
Contributions to UIF, Medical and Pension Funds	-	119 217
<b>Total</b>	<b>-</b>	<b>983 281</b>
<b>Remuneration of the Chief Financial Officer: YS Mgudlwa (01/07/2013- 31/09/2014)</b>		
Annual Remuneration	38 072	-
Bonuses under remuneration	-	-
Travel, motor car, accommodation, subsistence and other allowances	42 441	-
Contributions to UIF, Medical and Pension Funds	20 950	-
<b>Total</b>	<b>101 463</b>	<b>-</b>
<b>Remuneration of the Chief Finance Officer: LJ Makubu (1/10/2013- 30/11/2013)</b>		
Annual Remuneration	36 010	-
Bonuses under remuneration	-	-
Travel, motor car, accommodation, subsistence and other allowances	25 907	-
Contributions to UIF, Medical and Pension Funds	12 091	-
<b>Total</b>	<b>74 008</b>	<b>-</b>
<b>Remuneration of the Chief Financial Officer: L Mashiane (1/12/2013- 30/06/2014)</b>		
Annual Remuneration	519 836	-
Bonuses under remuneration	-	-
Travel, motor car, accommodation, subsistence and other allowances	91 585	-
Contributions to UIF, Medical and Pension Funds	1 041	-
<b>Total</b>	<b>612 462</b>	<b>-</b>
<b>Remuneration of Individual Executive Directors</b>		
<b>Director: Corporate Services: M Kubeka</b>		
Annual Remuneration	-	823 005
Bonuses under remuneration	-	24 394
Travel, motor car, accommodation, subsistence and other allowances	-	177 836
Contributions to UIF, Medical and Pension Funds	-	31 824
<b>Total</b>	<b>-</b>	<b>1 057 059</b>
<b>Director: Corporate Services: T Deeuw (01/07/2013 - 28/02/2014)</b>		
Annual Remuneration	253 089	-
Bonuses under remuneration	31 636	-
Travel, motor car, accommodation, subsistence and other allowances	193 784	-
Contributions to UIF, Medical and Pension Funds	68 257	-
<b>Total</b>	<b>546 765</b>	<b>-</b>
<b>Director: Corporate Services: M Khapha (01/03/2014 - 30/06/2014)</b>		
Annual Remuneration	142 453	-
Bonuses under remuneration	35 613	-
Travel, motor car, accommodation, subsistence and other allowances	98 590	-
Contributions to UIF, Medical and Pension Funds	26 236	-
<b>Total</b>	<b>302 893</b>	<b>-</b>
<b>Director: Planning and Social Development: M Seekoei (1/07/2013- 30/09/2013)</b>		
Annual Remuneration	171 084	638 270
Performance- and other bonuses	-	27 838
Travel, motor car, accommodation, subsistence and other allowances	170 257	194 542
Contributions to UIF, Medical and Pension Funds	24 665	103 564
<b>Total</b>	<b>366 007</b>	<b>964 214</b>
<b>Director Planning and Social Development: M Mohale (1/10/2013- 30/06/2014)</b>		
Annual Remuneration	415 494	-
Performance- and other bonuses	23 474	-
Travel, motor car, accommodation, subsistence and other allowances	263 288	-
Contributions to UIF, Medical and Pension Funds	90 818	-
<b>Total</b>	<b>793 074</b>	<b>-</b>
<b>16 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	708 911	675 424
Mayoral Committee Members	1 180 611	1 146 946
Speaker	358 893	349 885
Councillors	1 376 287	1 145 799
<b>Total Councillors' Remuneration</b>	<b>3 624 702</b>	<b>3 318 054</b>
<b>In-kind Benefits</b>		
The Mayor and Speaker are full-time Councillors. Each is provided with an office and secretarial support at the cost of the Council.		
The salaries and allowances of the Councillors are within the upper limits as prescribed by the Remuneration of Public Office Bearers Act, 1998 (no.20 of 1998)		
<b>17 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	1 996 366	3 107 081
Intangible assets	125 226	188 088
Finance leased assets	-	353 020
<b>Total Depreciation and Amortisation</b>	<b>2 121 592</b>	<b>3 648 189</b>
<b>18 FINANCE COSTS</b>		
Late payment of creditors	70 941	45 345
Finance lease liabilities	-	241 331
<b>Total Finance Costs</b>	<b>70 941</b>	<b>286 676</b>

**XHARIEP DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the period ended 30 June 2014**

**19 GENERAL EXPENSES**

Included in general expenses are the following:-

Advertising	256 366	365 860
Auditors remuneration	2 269 611,09	1 730 112
Bank charges	80 290	89 014
Bursaries	-	36 318
Conferences and delegations	11 850	67 296
Consulting fees	656 233	2 842 751
Disaster management	508 250	374 384
Donations - Upgrade Cemetry	-	3 400
Entertainment	122 815	166 010
Finance Assistance Letsemeng - IT Support	-	1 266 376
Financial Assistance - Naledi IT Support	-	1 137 000
Financial Assistance Naledi - Upgrading of streets	-	440 732
Fuel and oil	272 463	309 386
Insurance	320 901	
Legal expenses	40 752	101 436
Licence fees - computers	-	536 361
Licence fees - vehicles	40 637	(5 731)
Membership fees	-	459 911
Other expenses	4 577 874	2 218 027
Training	536 170	361 873
Postage	2 882	2 335
Printing and stationary	148 187	376 082
Security costs	-	1 767 052
Subscriptions	45 422	36 327
Telephone cost	368 599	671 100
Travel - local	1 290 273	4 239 138
Wages - EPWP	3 065 535	1 228 694
Water and electricity	299 518	463 025
	<b>14 914 624</b>	<b>21 284 289</b>

**20 GAIN / (LOSS) ON SALE OF ASSETS**

Property, plant and equipment	71 053	(21 966)
<b>Total Gain / (Loss) on Sale of Assets</b>	<b>71 053</b>	<b>(21 966)</b>

**21 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)**

Property, plant and equipment	352 657	-
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**22 CASH GENERATED BY OPERATIONS**

Surplus/(deficit) for the year	(483 810)	(29 390 104)
Adjustment for:-		
Depreciation and amortisation	2 256 623	3 648 189
(Gain) / loss on sale of assets	71 053	21 966
Movement in long service award provision	257 000	224 001
Debt impairment	186 989	10 777 736
Interest income	(258 205)	-
Finance costs	70 941	-
<b>Operating surplus before working capital changes:</b>	<b>2 100 590</b>	<b>(14 718 212)</b>
Inventories	(43 988)	(87 651)
Trade and other receivables	930 412	10 526 613
Unspent conditional grants	(292 402)	468 848
Trade and other payables	(192 522)	1 215 299
Consumer debtors	-	(10 777 736)
VAT receivable	856 851	1 486 582
<b>Cash generated by/(utilised in) operations</b>	<b>3 358 942</b>	<b>(11 886 257)</b>

**23 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

**23,1 Unauthorised expenditure**

Reconciliation of unauthorised expenditure		
Opening balance	11 151 137	5 483 481
Unauthorised expenditure current year/period	2 352 626	5 667 656
Approved by Council or condoned	(7 757 784)	-
Unauthorised expenditure awaiting authorisation	<b>5 745 978</b>	<b>11 151 137</b>

No disciplinary proceedings instituted

**23,2 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure		
Opening balance -	133 260	104 259
Fruitless and wasteful expenditure current year	22 330	29 001
Approved by Council or condoned	(153 880)	-
Fruitless and wasteful expenditure awaiting condonement	<b>1 710</b>	<b>133 260</b>
Interest and penalties for late payment of suppliers	17 071	21 828
Penalties for flight rescheduling	695	-
Interest paid on amounts in excess of approved bank overdraft	-	7 173
Accommodation bookings	4 564	-
	<b>22 330</b>	<b>29 001</b>

No disciplinary proceedings instituted

**XHARIEP DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the period ended 30 June 2014**

**23,3 Irregular expenditure**

Reconciliation of irregular expenditure

Opening balance	17 774 097	12 817 074
Irregular expenditure current year	3 050 108	4 957 023
Approved by Council or condoned	(12 501 752)	-
	<u>8 322 454</u>	<u>17 774 097</u>

Tax clearance certificates not obtained as per SCM policy	202 795	485 213
Tender process not followed as required by SCM policy	2 364 679	2 600 511
Insufficient quotations obtained as required by SCM policy	482 634	1 871 299
	<u>3 050 108</u>	<u>4 957 023</u>

No disciplinary proceedings instituted

**24 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**24,1 Contributions to organised local government**

Opening balance		-
Current year subscription / fee	450 000	256 816
Amount paid - current	(450 000)	(256 816)
<b>Balance unpaid (included in payables)</b>	<u>-</u>	<u>-</u>

**24,2 Audit fees**

Opening balance	1 903	3 639
Current year subscription / fee	2 269 611	1 732 015
Amount paid - current year	(2 269 611)	(1 730 112)
Amount paid - previous years	(1 903)	(3 639)
<b>Balance unpaid (included in payables)</b>	<u>(0)</u>	<u>1 903</u>

**24,3 VAT**

<b>VAT receivable</b>	856 851	979 901
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VAT input receivables and VAT output payables are shown in note 7. All VAT returns have been submitted by the due date throughout the period

**24,4 PAYE and UIF**

Opening balance	-	-
Current year subscription / fee	6 119 765	5 345 054
Amount paid - current year	(5 555 152)	(5 345 054)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<u>564 612</u>	<u>-</u>

**24,5 Pension and Medical Aid Deductions**

Opening balance	-	-
Current year subscription / fee	7 199 371	2 000 125
Amount paid - current year	(7 199 371)	(2 000 125)
Amount paid - previous years		
<b>Balance unpaid (included in payables)</b>	<u>-</u>	<u>-</u>

**24,6 Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

**Municipal Finance Management Act Section 15**

The municipality incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget.

**Supply chain management regulations 17(1)(a) - (c)**

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from at least three different prospective providers as required.

**Preferential Procurement Policy Framework Act, 2000 2(a) and Supply chain management regulation 28(1)(a)**

The preference point system was not applied in all procurement of goods and services above R30,000, as required..

**Municipal Finance Management Act Section 32(2) and 32(4)**

Fruitless and wasteful expenditure incurred was not recovered from liable persons as required.

Reports detailing the fruitless and wasteful expenditure incurred were not tabled to MEC and Auditor-General.

**Supply chain management regulations 43**

Awards were made to service providers whose tax matters had not been declared by the South African Revenue Services to be in order as required.

**Municipal Finance Management Act Section 62(1)(d)**

The accounting officer failed to take all reasonable steps to ensure that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented.

**25 COMMITMENTS**

**25,1 Capital and current commitments**

<b>- Approved and contracted for</b>	<b>2 867 387</b>	<b>1 328 470</b>
Other assets	111	12 709
Current expenditure	2 867 276	1 315 761
<b>- Approved but not yet contracted for</b>	<b>-</b>	<b>-</b>
Other assets	-	-
Current expenditure	-	-
<b>Total</b>	<u><b>2 867 387</b></u>	<u><b>1 328 470</b></u>

This expenditure will be financed from:

- Own resources	2 867 387	1 328 470
	<u>2 867 387</u>	<u>1 328 470</u>

**XHARIEP DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the period ended 30 June 2014**

**25.2 Operating leases**

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

**Operating leases - lessee**

Within one year	-	-
In the second to fifth year inclusive	-	-
After five years	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

Total future minimum sublease payment expected to be received under non-cancellable sublease

-

**Operating leases – as lessor**

**Minimum lease payments due**

Payable within one year	446 688	74 925
Payable within 1 - 5 years	446 688	-
Payable later than 5 years	-	-
<b>Total</b>	<b>893 376</b>	<b>74 925</b>

Operating lease receipts represent rentals received by the municipality for the use of its administrative and other office space.

**Lease terms are as follows:**

Lease 1 - A portion of the Municipality's building are held to generate rental income and the initial period of 36 months, renewable annually on the 1st July with 10% escalation.

**26 RETIREMENT BENEFIT INFORMATION**

**Defined contribution plan**

**4 508 179**                      **2 781 029**

Xhariep District Municipality and its employees contribute to various funds which provide benefits to such employees. The retirement benefit plan is subject to the

Pension Funds Act of 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income.

No actuarial information was available for the funds listed below on the preparation of the financial statements

**The employees of the Council as well as the Council as employer, contribute to Municipal**

**Pension, Retirement and various Provident Funds as listed below:**

- Free State Municipal Pension Fund
- SAMWU National Provident Fund
- Municipal Employees Pension Fund
- South African Local Authorities Pension Fund

**27 CONTINGENT LIABILITY**

as at June 2014

**Contingencies arising from pending litigation on wage curve agreement**

On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system.

Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised.

Employees' job evaluations were not completed by the Municipality and employees were not paid according to the

wage scales and rates in the wage curve agreement and did not receive the 9 months retrospective increases / backpay.

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation.

**Matter description:**

A service provider appointed to perform a VAT review for the period 1 July 2009 to 30 June 2011 has instituted a claim against the Municipality for breach of contract and non-payment of professional fees.

**Financial Implication:**

The probable loss is R93,254

**Disciplinary Hearing**

The Municipality decided to charge and suspend employees who transgressed Human Resource Policy and Collective Agreements and Conditions of service. The municipality have appointed Advocate Mthembu to assist the Municipality with the review of these matters.

**Financial Implication:**

Advocate Mthembu will be paid for assisting the municipality with the review of the two matters and as a result there are uncertainties arising from the disputes, the municipality may have additional payable for the Advocated depending on the outcome of the review of the cases

as at June 2013

**Contingencies arising from pending litigation on wage curve agreement**

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**Matter description:**



**XHARIEP DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the period ended 30 June 2014**

A service provider appointed to perform a VAT review for the period 1 July 2009 to 30 June 2011 has instituted a claim against the Municipality for breach of contract and non-payment of professional fees.

**Financial Implication:**  
The probable loss is R93,254

**28 CONTINGENT ASSET**

**30-Jun-13**  
The Municipality had no contingent assets at the reporting date

**30-Jun-14**  
The Municipality had no contingent assets at the reporting date

**29 RELATED PARTIES**

Post employment benefit plan for employees of municipality and/or other related parties.  
Compensation to councillors and other key management.

**Related party balances**  
The Municipality had no related party balances at period end.

**30 EVENTS AFTER THE REPORTING DATE**

At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to disclose.

**31 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS**

The following areas involve a significant degree of estimation uncertainty:  
Useful lives and residual values of property, plant, and equipment  
Recoverable amounts of property, plant and equipment  
Present value of defined benefit obligation (long service bonus)  
Provision for doubtful debts  
Impairment of assets  
Provision for long-term service award

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:  
Impairment of assets  
Provisions

**32 RISK MANAGEMENT**

**32.1 Maximum credit risk exposure**

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

**Financial assets exposed to credit risk at year end were as follows:**

Financial instruments		
ABSA Bank: Current Account	(45 645)	1 817 465
Receivables from exchange transactions	-	806 731
Receivables from non exchange transactions		-
Nedbank	813 794	-
Standard Bank		-
Standard Bank		-
Finance leases		-

These balances represent the maximum exposure to credit risk.

**Market risk: Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.**

**32.2 Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

**32.3 Interest rate risk**

The municipality's interest rate risk arises from finance lease liabilities, credit cards & investments. These are issued at variable rates and expose the Municipality to cash flow interest rate risk. Financial instruments that are issued at fixed rates expose the municipality to fair value interest rate risk.

**32.4 Other price risk**

The municipality has no exposure to changes in price risk

**33 RESTATEMENT OF COMPARATIVE INFORMATION**

The Municipality restated the comparative figures of Property, Plant and Equipment for reporting period 2012/13 as disclosed in the Annual financial statements

**34 Going Concern**

**30 June 2014**

Section 135 of the Municipal Finance Management Act places primary responsibility of the resolution of financial problems in the affected Municipality. The Section further prescribes for the Municipality to inform various stakeholders including the Provincial Government via the MEC for Local Government and Provincial Treasury.

In the event the Municipality is unable to manage its finances, various interventions are prescribed in terms of the abovementioned Act. The intervention can be discretionary in terms of Section 137 or mandatory in terms of Section 139.

It is in the context of the above mentioned legislation that the Accounting Officer is of the view that the Municipality will continue to operate in the foreseeable future.

**XHARIEP DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS  
for the period ended 30 June 2014**

**30 June 2013**

During the compilation of the annual financial statements management has assessed the appropriateness of the going concern principle. Management have identified potential factors which may impact on the ability of XDM to continue as a going concern.

Xhariep District Municipality incurred a net loss of R29 396 196 during the year ended 30 June 2013 and, as of that date, the municipality's unspent conditional grants and a receipt of R1 992 053 exceeds the cash balance held by the municipality of R1 819 068. The net cash flow from operating activities is negative by an amount of R11 886 257 and the current liability of R8 520 540 exceeds the current asset of R3 729 369.

**Financial Assistance from the Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements:**

Management has budgeted for Intergovernmental grants amounting to R59,971,000 for the 2013/2014 financial year. Included in this total is an amount of R30,000,000 being financial assistance which is to be received from the Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements. The Xhariep District Municipality has yet to receive a written confirmation from the Free State Department of Co-operative Governance, Traditional Affairs and Human Settlements as to when the funding will be received.

**35 Budget Differences**

**Material differences between budget and actual amounts**

**Rental of facilities and equipment**

More rentals on facilities than anticipated

**Other income**

More parking and tender documents were purchased than anticipated

**Interest Income**

The municipality received more interest on short term deposit

**Remuneration of councillors**

The variance arise from salary hikes

**Depreciation and amortisation**

Variance arise from restatement of useful lives and purchase of additional assets

**General Expenses**

Less expenses were incurred than anticipated

**Repairs and maintenance**

Due to municipal vehicles not replaced, existing ones had to be repaired continuously.

**36**

**Prior Period Errors**

The following errors were corrected in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors

-Understatement of Property, Plant and Equipment.:

**Incorrect assessment of estimated useful lives**

During the review of the moveable asset register numerous assets were identified which were fully depreciated. Further investigations indicated that this relates mostly to computer equipment and office equipment where the initial useful life assessment was 3 years. The useful lives have been amended to be more in line with practices and the comparative statements for 2012/13 have been restated. The effect of the restatement is summarised below:

-486 082,00

*Adjustment against opening retained earnings 30 June 2012*

1 018 430,00

*Adjustments affecting the statement of financial position*

1 018 430,00

Increase in Property, plant and equipment

-532 348,00

*Adjustments affecting the statement of financial performance*

-532 348,00

Decrease in Depreciation and amortisation

**Duplication of assets on the fixed asset register**

During the review of the moveable asset register it was found that 4 assets relating to furniture and fittings were duplicated on the asset register. These assets have been removed from the fixed asset register and the comparative statements for 2012/13 have been restated. The effect of the restatement is summarised below:

6 558,00

*Adjustment against opening retained earnings 30 June 2012*

-5 443,00

*Adjustments affecting the statement of financial position*

-5 443,00

Decrease in Property, plant and equipment

-1 115,00

*Adjustments affecting the statement of financial performance*

-1 115,00

Decrease in Depreciation and amortisation

**XHARIEP DISTRICT MUNICIPALITY**  
**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS**  
as at 30 June 2013

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 Jun 2012	Received during the period	Redeemed / written off during the period	Balance at 30 Jun 2013	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
None	-	-	-	-	-	-	-	-
<b>TOTAL EXTERNAL LOANS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Municipality had no long term loans at period end.

**XHARIEP DISTRICT MUNICIPALITY**  
**APPENDIX B**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**  
as at 30 June 2014

**APPENDIX B**

GRANT DESCRIPTION	Balance as at 1 July 2013	Other Adjustments	Current year receipts	Operating expenditure during the year (Transferred to revenue)	Capital expenditure during the year (Transferred to revenue)	Balance as at 30 June 2014
	R	R	R	R	R	R
<b>Provincial Government Grants</b>						
COGTA Financial Assistance Grant	25 771 076	-	-	(25 312 142)	( 458 934)	-
Provincial Infrastructure Grant	204 193	-	-	-	-	204 193
Motheo District Municipality Disestablishment Grant	1 120 684	-	-	-	-	1 120 684
<b>National Government Grants</b>						
Equitable share	-	-	25 771 076	(25 771 076)	-	-
Financial Management Grant	403 152	( 403 152)	1 233 140	(1 233 140)	-	-
MSIG Grant	227 944	( 227 000)	890 000	( 708 150)	-	182 794
EPWP Grant	-	-	998 580	( 998 580)	-	0
<b>Other Grants and Subsidies</b>						
THETHA Grant	36 080	-	-	-	-	36 080
<b>TOTAL</b>	<u>27 763 129</u>	<u>( 630 152)</u>	<u>28 892 796</u>	<u>(54 023 088)</u>	<u>( 458 934)</u>	<u>1 543 751</u>

Appendix C:  
Budgeted Financial Performance (revenue and expenditure by standard classification)

Description	2013/2014									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
R thousand	1	2	3	4	5	6	7	8	9	10
<b>Revenue - Standard</b>										
<b>Governance and administration</b>	43 383	-	43 373	-	-	43 373	45 336	(1 964)	-4,53%	-4,53%
Executive and council	5 874	-	5 874	-	-	5 874	3 224	2 650	45,11%	45,11%
Budget and treasury office	11 916	(11)	11 905	-	-	11 905	14 137	(2 232)	-18,75%	-18,73%
Corporate services	15 177	-	15 177	-	-	15 177	23 436	(8 259)	-54,41%	-54,41%
Municipal Manager	10 417	-	10 417	-	-	10 417	4 539	5 877	56,42%	56,42%
<b>Economic and environmental services</b>	17 172	-	17 172	-	-	17 172	11 020	6 151	35,82%	35,82%
Planning and development	17 172	-	17 172	-	-	17 172	11 020	6 151	35,82%	35,82%
<b>Total Revenue - Standard</b>	60 555	(11)	60 544	-	-	60 544	56 357	4 187	6,92%	6,92%
<b>Expenditure - Standard</b>										
<b>Governance and administration</b>	48 459	(926)	47 533	(11)	139	47 661	44 791	2 870	6,04%	5,92%
Executive and council	9 011	502	9 513	-	3	9 517	5 697	3 819	40,15%	42,39%
Budget and treasury office	11 649	(467)	11 182	-	-	11 182	12 011	(829)	-7,41%	-7,11%
Corporate services	19 624	(1 398)	18 226	(11)	96	18 311	17 320	991	5,44%	5,05%
Municipal Manager	8 174	437	8 611	-	40	8 651	9 763	1 112	0,71%	0,75%
<b>Economic and environmental services</b>	14 398	816	15 214	-	-	15 214	15 106	108	0,71%	0,75%
Planning and development	14 398	816	15 214	-	-	15 214	15 106	108	0,71%	0,75%
<b>Total Expenditure - Standard</b>	62 856	(110)	62 746	(11)	139	62 875	59 897	2 978	4,74%	4,74%
<b>Surplus/(Deficit) for the year</b>	(2 301)	99	(2 202)	11		(2 331)	(3 540)	1 210	-51,90%	-52,56%