THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Financial statements
for the year ended 30 June 2014

General Information

Legal form of entity	District Municipality (DC19)
Mayoral committee	
Executive Mayor	Dr. BE Mzangwa
Councillors	Mr. MM Radebe (Chief Whip)
	Mr M Maduna (Speaker)
	Mr M Mamba
	Mr P Mavundla
	Ms M Vilakazi (MPAC Chair)
	Ms J Komako
	Ms M Motloung
	Mr CJ Makhoba
	Mr S Motaung
	Mr M Visagie
	Mr T Mkhwanazi
Ordinary councillors	Ms MR Naidoo
	Ms Z Tshabalala
	Ms N Taylor
	Mr K Tsoene
	Ms C Msibi
	Mr R Ndlebe
	Mr CHE Badenhorst
	Mr R Mota - Resigned: 15/11/2013
	Mr I Vries - Elected on 19/11/2013
	Mr S Nkopane
	Mr L Kere
	Ms V Mohala
	Ms R Bath
	Ms M Nakedi
	Ms P Sibeko
	Mr SE Tshabalala
	Ms TN Masiteng
	Ms Y Jacobs
	Mr L Mohlabi
	Ms E Mohoaladi
	Ms O Tolofi
	Mr T Thebe
	Mr M Lebesa
	Mr P Lebesana
	Mr T Mosikidi
	Ms L Kleynhans
	Ms MA Mokoena
	Ms HE Mokoena
	Mr TJ Tseki

General Information

	Mr T Ramaele Mr MA Nhlapo
Grading of local authority	Grade 11
Accounting Officer	Bennett Molotsi
Chief Finance Officer (CFO)	Hopolang Lebusa
Registered office	1 Mampoi Street Old Parliament Building Witsieshoek 9870
Postal address	Private Bag X810 Witsieshoek 9870
Bankers	ABSA FNB
Auditors	Auditor-General of South Africa
Attorneys	Balden, Vogel & Vennote Inc Sunil Narian Inc

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

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Abbreviations

COGTA	Department of Cooperative Governance and Traditional Affairs (Free State)
SCM	Supply Chain Management Policy
MEC	Member of Executive Council
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IT	Information Technology
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
LED	Local Economic Development
PIMSS	Planning Implementation Management Support Structures
MMC	Member of Mayoral Committee
MFMA	Municipal Finance Management Act
MPAC	Municipal Public Account Committe
MIG	Municipal Infrastructure Grant (Previously CMIP)
PT	Provincial Treasury (Free State)
RSC	Regional Service Council
IFRS	International Financial Reporting Standards
PPPFA	Preferential Procurement Policy Framework Act

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was 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 places 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 year to 30 June 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.

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

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

The external auditors are responsible for independently auditing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The financial statements set out on page 15 to 81, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on behalf of council by:

Bennett Molotsi
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2014.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet at least four times per annum as per its approved terms of reference. During the current year four meetings were held.

Name of member	Number of meetings attended
Mrs. L. M. Sefako (Chairperson) - Resigned on 31 October 2013	1
Mr. G. A. Ntsala (Chairperson) - Appointed on 20 February 2014. Re-appointed as member on 01 June 2013	5
Mrs. S. D. Lebeko - Re-appointed on 01 June 2013	1
Mr T.E. Femele - Appointed on 20 February 2014	3
Mr M.K. Mojatau -Appointed on 20 February 2014)	3

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in rendering support to the local municipalities within the district and operates principally in South Africa.

The operating results for the year were satisfactory as the financial position of the municipality is stable.

2. Going concern

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name
Bennett Molotsi

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Receivables from non-exchange transactions	4	1,243,434	1,042,742
Receivables from non-exchange transactions - RSC Levies	5	7,212	7,212
VAT receivable	6	4,679,226	919,046
Cash and cash equivalents	7	27,199,475	43,314,285
		33,129,347	**45,283,285**
Non-Current Assets			
Property, plant and equipment	8	4,781,042	1,473,141
Intangible assets	9	248,658	492,517
		5,029,700	**1,965,658**
Total Assets		**38,159,047**	**47,248,943**
Liabilities			
Current Liabilities			
Finance lease obligation	10	511,102	193,405
Payables from exchange transactions	11	22,834,605	25,309,749
Unspent conditional grants and receipts	12	-	2,901,068
		23,345,707	**28,404,222**
Non-Current Liabilities			
Finance lease obligation	10	990,502	-
Provision for long service awards	13	1,968,000	1,942,000
		2,958,502	**1,942,000**
Total Liabilities		**26,304,209**	**30,346,222**
Net Assets		**11,854,838**	**16,902,721**
Net Assets			
Accumulated surplus/(deficit)		11,854,838	16,902,721

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Government grants & subsidies	14	86,206,986	83,402,347
Interest received - investment	15	2,442,067	2,518,928
Sundry income	16	51,803	42,150
Total revenue		**88,700,856**	**85,963,425**
Expenditure			
Contracted services	37	(2,208,836)	(949,437)
Debt impairment	17	-	(14,336)
Depreciation and amortisation	18	(1,650,574)	(1,202,241)
Finance costs	19	(33,833)	(283,042)
General expenses	20	(17,496,812)	(15,147,784)
Grants and subsidies paid	38	(20,255,474)	(24,888,445)
Remuneration of councillors	22	(8,619,554)	(6,935,552)
Remuneration of staff	21	(41,868,446)	(35,499,932)
Repairs and maintenance	23	(1,631,058)	(500,516)
Total expenditure		**(93,764,587)**	**(85,421,285)**
Operating (deficit) surplus		**(5,063,731)**	**542,140**
Gains on disposal of assets		15,848	180,609
(Deficit) surplus for the year		**(5,047,883)**	**722,749**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2012	**16,179,974**	**16,179,974**
Changes in net assets		
Surplus for the year	722,749	722,749
Total changes	722,749	722,749
Balance at 01 July 2013	**16,902,722**	**16,902,722**
Changes in net assets		
Surplus (deficit) for the year	(5,047,883)	(5,047,883)
Total changes	(5,047,883)	(5,047,883)
Balance at 30 June 2014	**11,854,839**	**11,854,839**

Cash Flow Statement

Figures in Rand	Notes	2014	2013
Cash flows from operating activities			
Receipts			
Grants		83,200,049	85,236,693
Interest income received		2,442,067	2,518,928
Other receipts		51,803	42,150
		85,693,919	87,797,771
Payments			
Employee costs		(50,488,000)	(42,175,484)
Finance costs		(34,267)	(283,042)
Other payments		(47,862,063)	(42,755,267)
		(98,384,330)	(85,213,793)
Net cash flows from operating activities	24	**(12,690,411)**	**2,583,978**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(4,429,504)	(292,070)
Proceeds from sale of property, plant and equipment	8	19,500	185,861
Purchase of other intangible assets	9	(288,764)	-
Net cash flows from investing activities		**(4,698,768)**	**(106,209)**
Cash flows from financing activities			
Finance lease payments		1,274,366	(591,309)
Benefits paid relating to long service awards		-	(108,000)
Net cash flows from financing activities		**1,274,366**	**(699,309)**
Net increase/(decrease) in cash and cash equivalents		**(16,114,813)**	**1,778,460**
Cash and cash equivalents at the beginning of the year		43,314,285	41,535,826
Cash and cash equivalents at the end of the year	7	**27,199,472**	**43,314,286**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sundry income	875,000	(109,000)	**766,000**	51,803	**(714,197)**	
Interest received - investment	1,560,000	640,000	**2,200,000**	2,442,067	**242,067**	
Total revenue from exchange transactions	**2,435,000**	**531,000**	**2,966,000**	**2,493,870**	**(472,130)**	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	84,421,000	1,177,332	**85,598,332**	86,206,986	**608,654**	
Total revenue	**86,856,000**	**1,708,332**	**88,564,332**	**88,700,856**	**136,524**	
Expenditure						
Personnel	(41,576,177)	-	**(41,576,177)**	(41,868,446)	**(292,269)**	
Remuneration of councillors	(8,271,995)	-	**(8,271,995)**	(8,619,554)	**(347,559)**	
Depreciation and amortisation	(800,000)	(231,072)	**(1,031,072)**	(1,650,574)	**(619,502)**	
Finance costs	(60,000)	-	**(60,000)**	(33,833)	**26,167**	
Repairs and maintenance	(600,000)	(488,000)	**(1,088,000)**	(1,631,058)	**(543,058)**	
Contracted Services	(2,832,225)	-	**(2,832,225)**	(2,208,836)	**623,389**	
Grants and subsidies paid	(29,500,000)	-	**(29,500,000)**	(20,255,474)	**9,244,526**	
General Expenses	(23,805,438)	-	**(23,805,438)**	(17,496,812)	**6,308,626**	
Total expenditure	**(107,445,835)**	**(719,072)**	**(108,164,907)**	**(93,764,587)**	**14,400,320**	
Operating deficit	**(20,589,835)**	**989,260**	**(19,600,575)**	**(5,063,731)**	**14,536,844**	
Gain on disposal of assets	-	-	**-**	15,848	**15,848**	
Deficit before taxation	**(20,589,835)**	**989,260**	**(19,600,575)**	**(5,047,883)**	**14,552,692**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(20,589,835)**	**989,260**	**(19,600,575)**	**(5,047,883)**	**14,552,692**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from non-exchange transactions	875,000	167,742	**1,042,742**	1,243,434	**200,692**	
Receivables from non-exchange transactions - RSC Levies	-	7,212	**7,212**	7,212	**-**	
VAT receivable	-	919,046	**919,046**	4,679,226	**3,760,180**	
Cash and cash equivalents	36,005,608	7,308,677	**43,314,285**	27,199,475	**(16,114,810)**	
	36,880,608	**8,402,677**	**45,283,285**	**33,129,347**	**(12,153,938)**	
Non-Current Assets						
Property, plant and equipment	1,312,467	160,674	**1,473,141**	4,778,705	**3,305,564**	
Intangible assets	-	-	**-**	248,658	**248,658**	
	1,312,467	**160,674**	**1,473,141**	**5,027,363**	**3,554,222**	
Total Assets	**38,193,075**	**8,563,351**	**46,756,426**	**38,156,710**	**(8,599,716)**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	**-**	511,102	**511,102**	
Payables from exchange transactions	5,789,689	19,520,058	**25,309,747**	22,834,602	**(2,475,145)**	
	5,789,689	**19,520,058**	**25,309,747**	**23,345,704**	**(1,964,043)**	
Non-Current Liabilities						
Finance lease obligation	850,000	(656,595)	**193,405**	990,502	**797,097**	
Provision for long service awards	-	1,942,000	**1,942,000**	1,968,000	**26,000**	
	850,000	**1,285,405**	**2,135,405**	**2,958,502**	**823,097**	
Total Liabilities	**6,639,689**	**20,805,463**	**27,445,152**	**26,304,206**	**(1,140,946)**	
Net Assets	**31,553,386**	**(12,242,112)**	**19,311,274**	**11,852,504**	**(7,458,770)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus/(deficit)	31,553,386	(12,242,112)	**19,311,274**	11,852,504	**(7,458,770)**	

Accounting Policies

1. Presentation of Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

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

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

Receivables from non-exchange transactions

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, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Property, plant and equipment

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

As described in accounting policies 1.3 and 1.4, the municipality depreciates / amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives of assets are based on management's estimation.

Management considered the impact of technology, availabiliity of capital funding, service requirement and required return on assets in order to determine the optimum useful life expectation, where appropriate.

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provision for long service awards

The present value of the provision for long service awards 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 the provision for long service awards.

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 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 liability.

Other key assumptions for the provision for long service awards are based on current market conditions. Additional information is disclosed in Note 13.

Impairment of receivables

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

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

Item	**Average useful life**
Property, plant and equipment	
• IT Equipment	3 - 7 years
• Furniture and fixtures	7 years
• Motor vehicles	5 years

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

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.

Accounting Policies

1.4 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	3 years

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

1.5 Investments

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

1.6 Financial instruments

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

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:
- cash;
- a residual interest of another entity; or

Accounting Policies

1.6 Financial instruments (continued)

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

1.6 Financial instruments (continued)

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

1.7 Leases

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

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the 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 on the remaining balance of the liability.

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

Subsequent to initial recognition, the asset is account for in accordance with the accounting policy applicable to that asset. 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. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using the standard of GRAP on leases.

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.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Accounting Policies

1.8 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.8 Impairment of cash-generating assets (continued)

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

1.9 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

Recognition and measurement

Accounting Policies

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.10 Employee benefits

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits: Defined contribution plans

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

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

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

Accounting Policies

1.11 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 expenditure expected to be required to settle the obligation.

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

Accounting Policies

1.11 Provisions and contingencies (continued)

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

1.11 Provisions and contingencies (continued)

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

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

1.12 Revenue from exchange transactions

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

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

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

Measurement

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

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.

1.12 Revenue from exchange transactions (continued)

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

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

Interest received

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.13 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

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

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

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

Recognition

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

Measurement

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.14 Investment income

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

1.15 Comparative figures

When the presentation or classification of an item in the annual financial statements are amended, comparative amounts are reclassified.

1.16 Unauthorised expenditure

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

1.16 Unauthorised expenditure (continued)

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

1.17 Fruitless and wasteful expenditure

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

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

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) which has not been condoned in terms of section 170;
(c) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of Municipality Systems Act, and which has not been condoned in terms of the Act;
(d) expenditure incurred by a municipality in contraversion of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No.20 of 1998); or
(e) expenditure inurred by a municipality or municipal entity in contravention of , or that is not in accordance with a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-laws but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure

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.

Accounting Policies

1.18 Irregular expenditure (continued)

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

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the 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.

1.19 Use of estimates

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

Estimates in the financial statements include but are not limited to the following:
- Depreciation
- Bad debts
- Long service awards

1.20 Offsetting

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

1.21 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.

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential 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.

Recognition

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

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.22 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.23 Budget information

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

Deviations between budget and actual amounts are regarded as material differences when a 10% and R100 000 deviation exists. All material differences are explained in the Statement of comparison of budget and actual amounts.

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

Accounting Policies

1.23 Budget information (continued)

The financial statements are prepared on the accrual basis of accounting, and the budget is prepared on the cash basis. A comparison with the budgeted amounts for the reporting period has been included in the Statement of comparison of budget and actual amounts.

The annual budget figures have been prepared in accordance with the GRAP standard. The amounts are scheduled as a separate additional financial statement, called the Statement of comparison of budget and actual amounts.

Explanatory comment is provided in the notes to the annual financial statements giving firstly reasons for overall growth or decline in the budget and secondly motivations for over- or underspending on line items. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated development plan. The budget is approved on a cash basis.

1.24 Related parties

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

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

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

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.25 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the financial statements.

Accounting Policies

1.26 Commitments

The term ‘commitments’ is not defined in any of the standards but may be referred to as the intention to commit to an outflow from the entity of resources embodying economic benefits. Generally, a commitment arises when a decision is made to incur a liability e.g. a purchase contract. Such a decision is evidenced by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate e.g. a quote, and conditions to be satisfied to establish an obligation e.g. delivery schedules. These preconditions ensure that the information relating to commitments is relevant and capable of reliable measurement. An entity may enter into a contract on or before the reporting date for expenditure over subsequent accounting periods e.g. a contract for construction of infrastructure assets, the purchase of major items of plant and equipment or significant consultancy contracts. In these events, a commitment exists at the reporting date as the entity has contracted for expenditure but no work has started and no payments have been made. The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date. Commitments for the supply of inventories, where a liability under a contract has not yet been recognised, do not require disclosure as a commitment.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:
- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:
- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity’s decision to terminate an employee’s employment before the normal retirement date; or
  - an employee’s decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:
- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;

Notes to the Financial Statements

2. New standards and interpretations (continued)

- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Notes to the Financial Statements

2. New standards and interpretations (continued)

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

2.2 Standards issued and not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	01 April 2014	
• GRAP 106: Transfers of functions between entities not under common control	01 April 2014	
• GRAP 107: Mergers	01 April 2014	
• GRAP 20: Related parties	01 April 2014	
• IGRAP 11: Consolidation – Special purpose entities	01 April 2014	
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2014	
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2014	
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2014	
• GRAP32: Service Concession Arrangements: Grantor	01 April 2015	
• GRAP108: Statutory Receivables	01 April 2015	
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2015	

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

Notes to the Financial Statements

Figures in Rand	2014	2013

3. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2014

	Financial assets at amortised cost	Total
Receivables from non-exchange transactions	1,088,809	1,088,809
Cash and cash equivalents	27,199,475	27,199,475
VAT Receivables	4,679,226	4,679,226
Receivables from non-exchange transactions - RSC Levies	7,212	7,212
	32,974,722	**32,974,722**

2013

	Loans and receivables	Total
Receivables from non-exchange transactions	1,042,742	1,042,742
Cash and cash equivalents	43,314,285	43,314,285
VAT Receivables	919,046	919,046
Receivables from non-exchange transactions - RSC Levies	7,212	7,212
	45,283,285	**45,283,285**

4. Receivables from non-exchange transactions

	2014	2013
Sundry debtors	515,950	416,533
Suspense account - unidentified payment	304,143	304,143
Seconded councillor's salaries overpayment	1,784,288	1,784,288
Councillors over payments	352,479	251,204
Motheo District funds receivable	709,066	709,066
Impairment provision	(2,422,492)	(2,422,492)
	1,243,434	**1,042,742**

Notes to the Financial Statements

Figures in Rand	2014	2013

4. Receivables from non-exchange transactions (continued)

Suspense account - unidentified payment

Payment relates to a transaction against the bank account and cashbook on 14 May 2009. No supporting documentation can be traced to identify the nature and the depositors of this batch payment processed.

Credit quality of receivables from non-exchange transactions

The credit quality of receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Receivables from non-exchange transactions impaired

As of 30 June 2014, R 2,422,492 (2013: R 2,422,492) sundry receivables with a carrying amount of R3 465 234 (2012: R3 259 924) were impaired and provided for.

The ageing of these receivables are as follows:

0 to 3 months	-	255,183
Over 6 months	-	787,559

Reconciliation of impairment of receivables from non-exchange transactions

Opening balance	2,436,828	2,422,492
Impairment - current year	-	14,336
	2,436,828	**2,436,828**

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The municipality does not hold any collateral as security.

5. Receivables from non-exchange transactions - RSC Levies

RSC levies	49,087,074	49,087,074
Impairment	(49,079,862)	(49,079,862)
	7,212	**7,212**

Receivables from non-exchange transactions - RSC Levies impaired

As of 30 June 2014, receivables from non-exchange transactions - RSC levies with a carrying amount of

R 49,087,074 (2013: R 49,087,074) were impaired and provided for.

The amount of the provision was R 49,079,862 as of 30 June 2014 (2013: R 49,079,862).

The ageing of these receivables is as follows:

Over 12 months	49,087,074	49,087,074

Notes to the Financial Statements

Figures in Rand	2014	2013

5. Receivables from non-exchange transactions - RSC Levies (continued)

Reconciliation of provision for impairment of receivables from non-exchange transactions - RSC levies

	2014	2013
Opening balance	49,079,862	49,079,862

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The municipality does not hold any collateral as security.

6. VAT receivable

	2014	2013
VAT receivable	4,679,226	919,046

The municipality accounts for VAT on the payments basis.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2014	2013
Bank balances	2,591,555	6,396,852
Short-term deposits	24,607,920	36,917,433
	27,199,475	**43,314,285**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - Cheque Account - 770-150-841	2,591,555	6,396,852	1,239,156	2,591,555	6,396,852	1,239,156
ABSA Bank - Call Account - 921-300-0832	675,362	633,120	613,747	675,362	633,120	613,747
ABSA Bank - Fixed Deposit Account - 206-206-4985	327,646	1,487,547	36,389,828	327,646	1,487,547	36,389,828
FNB Bank - Fixed Deposit Account - 712-733-40-226	3,604,912	3,441,351	3,293,095	3,604,912	3,441,351	3,293,095
ABSA Bank - Fixed Deposit account - 207-253-7209	20,000,000	31,355,415	-	20,000,000	31,355,415	-
Total	**27,199,475**	**43,314,285**	**41,535,826**	**27,199,475**	**43,314,285**	**41,535,826**

Notes to the Financial Statements

Figures in Rand	2014	2013

8. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value
Furniture and fixtures	1,503,193	(746,468)	756,725	982,195	(475,353)	506,842
Motor vehicles	2,631,536	(757,114)	1,874,422	682,438	(682,438)	-
IT equipment	3,396,520	(2,783,168)	613,352	1,878,437	(954,079)	924,358
Office Equipment- leased Assets	1,580,444	(43,901)	1,536,543	1,147,235	(1,105,294)	41,941
Total	**9,111,693**	**(4,330,651)**	**4,781,042**	**4,690,305**	**(3,217,164)**	**1,473,141**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	506,842	520,998	-	(271,115)	756,725
Motor vehicles	-	1,949,098	-	(74,676)	1,874,422
IT equipment	924,358	378,964	(3,652)	(686,318)	613,352
Office Equipment- leased Assets	41,941	1,580,444	-	(85,842)	1,536,543
	1,473,141	**4,429,504**	**(3,652)**	**(1,117,951)**	**4,781,042**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	617,676	25,507	-	(136,341)	506,842
IT equipment	1,110,456	266,563	(5,250)	(447,411)	924,358
Office Equipment- leased Assets	160,582	-	-	(118,641)	41,941
Non-current assets held for sale	2	-	(2)	-	-
	1,888,716	**292,070**	**(5,252)**	**(702,393)**	**1,473,141**

Other information

Proceeds for property, plant and equipment that were impaired, lost or given up and is included in surplus or deficit		
IT equipment	19,500	8,080
Motor vehicles	-	177,781
	19,500	**185,861**

Notes to the Financial Statements

Figures in Rand	2014	2013

9. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,890,808	(1,642,150)	248,658	1,602,044	(1,109,527)	492,517

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	492,517	288,764	(532,623)	248,658

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software, other	992,364	(499,847)	492,517

10. Finance lease obligation

	2014	2013
Minimum lease payments due		
- within one year	616,299	216,873
- in second to fifth year inclusive	1,232,598	-
	1,848,897	216,873
less: future finance charges	(162,010)	(23,468)
Present value of minimum lease payments	**1,686,887**	**193,405**
Present value of minimum lease payments due		
- within one year	511,102	193,405
- in second to fifth year inclusive	1,175,785	-
	1,686,887	**193,405**
Non-current liabilities	990,502	-
Current liabilities	511,102	193,405
	1,501,604	**193,405**

It is the municipality's policy to lease certain office equipment under finance leases.

Notes to the Financial Statements

Figures in Rand	2014	2013

11. Payables from exchange transactions

	2014	2013
Accrued leave pay	2,714,121	2,667,882
Accrued bonus	782,538	930,491
Bank transactions outstanding at year end	5,881	202,785
Councillors pension funds	4,020	19,977
UIF over deducted from employees	191,563	191,563
Councillors salaries under payments	5,535	5,535
Legal fees - RSC levies	15,049,155	15,049,155
South African Revenue Services - employees taxes	701,940	620,355
Trade payables	1,863,440	4,105,594
Unallocated deposits - RSC levies	1,516,161	1,516,161
Metropolitan	251	251
	22,834,605	**25,309,749**

Unallocated deposits relate to RSC levies receipts received from unidentifed levy payers. These amounts are to be transferred to the municipal attorney to be held in trust until all legal matters pending between the RSC levy payers association and the municipality are resolved.

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Public Works Programme	-	1,138,119
Municipal System Improvement Grant (MSIG)	-	202
COGTA Provincial Infrastructure Grant	-	1,727,735
Financial Management Grant	-	35,012
	-	**2,901,068**

Movement during the year

Balance at the beginning of the year	2,901,068	1,066,722
Received during the year	3,198,049	8,658,693
Income recognition during the year	(4,925,986)	(6,824,347)
Deducted from equitable share grant	(1,173,131)	-
	-	**2,901,068**

The nature and extent of government grants and their conditions, restrictions and other contingencies attached to these government grants have not been fulfilled and hence recognised in the financial statements as unspent conditional grants.

See note 14 for the reconciliation of other grants from National/Provincial Government.

13. Provision for long service awards

Long service awards

Valuation method

The projected unit credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date. The expected value of each employee's long service award is projected to the next interval by allowing for future growth.

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation, allowing for mortality, retirements and withdrawals from service.

Sensitivity analysis

The valuation is only an estimate of the cost of providing Long service award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership.

In order to illustrate the sensitivity of the results to changes in certain key variables, the municipality has recalculated the liability using the following assumptions:

- 20% increase/decrease in the assumed level of withdrawal rates;
- 1% increase/decrease in the Normal Salary cost inflation

Withdrawal rate

Deviations from the assumed level of withrawal experience of the eligible employees will have a large impact on the actual cost to the municipality. If the actual rates of withdrawal turns out to be higher than the rates asumed in the valuation basis, then the cost to the municipality in the form of benefits will reduce and vice versa.

We have illustrated the efect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total accrued liability	2,126,000	1,968,000	1,831,000
Current Service Cost	380,000	340,000	307,000
Interest Cost	167,000	153,000	141,000

13. Provision for long service awards (continued)

Normal salary inflation

The cost of the long service award is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in he normal salary inflation assmption. The effect is as follows:

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary Inflation
Total Accrued Liability	1,824,000	1,968,000	2,129,000
Current Service Cost	312,000	340,000	372,000
Interest Costs	140,000	153,000	167,000

Grap 25 deals with the recognition of the cost of employee benefits, on an accruals basis, in the municipality accounts.

If we assume that the long service award benefit policy of the municipality remains unchanged over the next 36 months, a projection of the municipality's unfunded accrued liability and future service cost can be seen as follows:

Changes in the value of the obligation:

	Current Valuation Date 30 June 2014	1 Year Following the Valuation Date	2 Years Following hte Valuation Date	3 Years Followig the Valuation Date
PV of the obligation as at the previous valuation date	1,942,000	1,968,000	2,299,000	2,660,278
Current Service Cost	325,000	340,000	345,454	352,409
Interest Cost	149,000	153,000	189,824	218,341
Benefits Paid	(431,000)	(162,000)	(174,000)	(187,000)
Actuarial Loss / (Gain)	(17,000)	-	-	-
	1,968,000	**2,299,000**	**2,660,278**	**3,044,028**

	Current Valuation Date 30June 2014	1 Year Following the Valuation Date	2 Years Fllowing hte Valuation Date	3 Years Following the Valuation Date
Liability recognised in the balance sheet	1,968,000	2,299,000	2,260,278	3,044,029
Current Service Cost in the income statement	325,000	340,000	345,454	352,409
Interest Cost in the income statement	149,000	153,000	189,724	218,341
Actuarial Losss / (Gain) recognised in Other Comprehensive income	(17,000)	-	-	-
Benefits paid (Employe Costs)	(431,000)	(162,000)	(174,000)	(187,000)

Notes to the Financial Statements

Figures in Rand	2014	2013

13. Provision for long service awards (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Balance at the beginning	(1,942,000)	(1,790,000)
Current service	(325,000)	(276,000)
Interest cost	(149,000)	(150,000)
Benefits paid	431,000	108,000
Actuarial gain / (loss)	17,000	166,000
	(1,968,000)	**(1,942,000)**

Net expense recognised in the statement of financial performance

Current service cost	325,000	276,000
Past service cost	(431,000)	-
Interest cost	149,000	150,000
Actuarial (gains) losses	(17,000)	(166,000)
	26,000	**260,000**

13. Provision for long service awards (continued)

Key assumptions used

Assumptions used at the reporting date:

	2014	2013
Discount rates used	7.96 %	7.40 %
Consumer price inflation	6.33 %	5.66 %
Normal salary increase rate	7.33 %	6.66 %
Net effective discount rate	0.59 %	0.69 %

Discount Rate

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Our discount rate was therefore set as the yield of the R208 South African government bond as at the valuation date. The actual yield on the R208 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

Normal Salary Inflation Rate

We have derived the underlying future rate of consumer price index inflation (CPI inflation) from the relationship between current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 government bonds was sourced from the RMB Global Markets website. Our assumed rate of salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2014 of 6.79%. The next salary increase was assumed to take place on 01 July 2015.

Average Retirement Age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill-health and early retirements

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality Rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Notes to the Financial Statements

Figures in Rand	2014	2013

14. Government grants and subsidies

Equitable share	81,281,000	76,578,000
Finance Management Grant	1,250,000	1,214,988
Department of Public Works Programme	1,000,000	1,559,881
LG Seta skills development grant	58,049	171,693
Municipal Systems Improvement Grant	890,202	1,105,520
COGTA - Provincial Infrastructure Grant	1,727,735	2,772,265
	86,206,986	**83,402,347**

Equitable share

Amount receivable per DORA	81,281,000	76,578,000
Amount actually received	(80,002,000)	(76,578,000)
Deducted from outstanding conditional grant (FMG)	(35,012)	-
Deducted from outstanding conditional grant (EPWP)	(1,138,119)	-
Overdeduction on current year equitable share per DORA	(105,869)	-
	-	**-**

Financial Management Grant

Balance unspent at beginning of year	35,012	-
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,214,988)
Deducted from equitable share	(35,012)	-
	-	**35,012**

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

Figures in Rand	2014	2013

14. Government grants and subsidies (continued)

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	202	105,722
Current-year receipts	890,000	1,000,000
Conditions met - transferred to revenue	(890,202)	(1,105,520)
	-	**202**

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

COGTA Provincial Infrastructure Grant

Balance unspent at beginning of year	1,727,735	-
Current-year receipts	-	4,500,000
Conditions met - transferred to revenue	(1,727,735)	(2,772,265)
	-	**1,727,735**

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

LG Seta - skills development grant

Current-year receipts	58,049	171,693
Conditions met - transferred to revenue	(58,049)	(171,693)
	-	**-**

Department of Public Works Programme

Balance unspent at beginning of year	1,138,119	961,000
Current-year receipts	1,000,000	1,737,000
Conditions met - transferred to revenue	(1,000,000)	(1,559,881)
Deducted from equitable share	(1,138,119)	-
	-	**1,138,119**

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

15. Investment revenue

Finance income		
Bank	2,442,067	2,518,928

The amount included in Investment revenue arising from exchange transactions amounted to R 2,518,928.

16. Sundry income

Tender documents	51,803	42,150

Notes to the Financial Statements

Figures in Rand	2014	2013

17. Impairment of receivables

Contribution to doubtful debt allowance	-	14,336

18. Depreciation and amortisation

Property, plant and equipment	1,117,951	702,393
Intangible assets	532,623	499,848
	1,650,574	**1,202,241**

19. Finance costs

Finance leases	33,833	283,042

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R 34,267 (2013: R 283,042).

20. General expenses

Advertising	595,088	754,733
Auditors remuneration	2,363,097	2,197,924
Bank charges	47,091	43,327
Bursary fund	1,059,517	939,954
Cleaning	107,528	128,743
Community development and training	-	2,554
Computer expenses	2,240,351	1,157,211
District audit committee	112,580	66,895
District municipality community projects	1,180,855	918,169
Entertainment	151,182	103,483
Finalisation of creditable IDP	109,368	-
Insurance	213,818	192,592
Lease rentals on operating lease	708,666	471,579
Legal Fees	1,516,193	1,159,970
MFMA support programme	576,658	68,385
Magazines, books and periodicals	774,658	419,080
Mantsopa EHP support grant	-	571,694
Marketing and promotions	216,924	571,246
Minor assets purchased	214,020	145,867
Motor vehicle expenses	331,156	308,438
Placement fees	12,697	49,819
Printing and stationery	503,501	306,716
Public participation	292,291	316,358
Sampling of food and water	163,176	44,457
Sports development programme	297,090	294,887
Subscriptions and membership fees	534,039	595,305
Telephone and fax	688,647	737,139
Tourism development	-	815,979
Training	853,281	315,099
Travel and subsistence	1,633,340	1,450,181
	17,496,812	**15,147,784**

Notes to the Financial Statements

Figures in Rand	2014	2013

21. Remuneration related costs

Basic	30,239,621	23,830,463
Bonus	1,704,704	1,397,279
Car allowance	4,174,868	5,032,782
Cellphone allowance	373,953	234,148
Housing benefits and allowances	180,102	278,354
Leave pay provision charge	46,239	301,908
Leave redemption	648,630	616,127
Long service awards	457,000	260,000
Medical aid - company contributions	2,796,507	3,039,750
Other payroll levies	610,495	3,921
Overtime payments	51,752	49,443
SDL	407,766	337,987
UIF contributions	176,809	117,770
	41,868,446	**35,499,932**

Included in the long service awards line item above is the following:

Current service costs	325,000	276,000
Interest costs	149,000	150,000
Net actuarial (gains) / losses recognised	(17,000)	(166,000)
	457,000	**260,000**

The above total remuneration cost includes the cost to company of officials for the period ended 30 June 2014.
Remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations. The details of remuneration paid to councillors are disclosed in note 23.
Remuneration paid to key personnel are disclosed below

Remuneration of Accounting oficer - Mr. B Molotsi

Annual Remuneration	535,391	327,509
Car Allowance	180,000	120,000
Cellphone allowance	18,000	12,000
Housing allowance	72,000	48,000
Contribution to UIF, Medical, Pension Funds and Skills Development	18,474	19,271
Travel, motor car, accommodation, subsistence and other allowances	343,057	244,672
	1,166,922	**771,452**

Remuneration of Acting Accounting Officer - Mr. VLT Moloi

Annual Remuneration	-	169,220
Car Allowance	-	25,000
Contributions to UIF, Medical, Pension Funds and Skills Development	-	2,552
Travel, motor car, accommodation, subsistence and other allowances	-	55,780
	-	**252,552**

Notes to the Financial Statements

Figures in Rand	2014	2013

21. Remuneration related costs (continued)

Mr. VLT Moloi was seconded by the Free State MEC of Corporate Governance and Traditional Affairs to act as the Accounting Officer and commenced his term on the 1st of October 2012 until 31 October 2012.

Remuneration of Chief Financial Officer - Mr. HI Lebusa

	2014	2013
Annual Remuneration	713,371	593,592
Car allowance	180,000	165,000
Housing allowance	-	11,975
Contributions to UIF, Medical, Pension Funds and Skills Development	17,367	8,071
Travel, motor car, accommodation, subsistence and other allowances	141,006	133,893
Cellphone allowance	14,400	13,200
	1,066,144	**925,731**

Remuneration of Director: Community Srvices - Ms. TPM Lebenya

	2014	2013
Annual Remuneration	480,500	310,317
Car Allowance	170,833	98,737
Contributions to UIF, Medical, Pension Funds and Skills Development	8,099	5,666
Travel, motor car, accommodation, subsistence and other allowances	74,789	97,043
Cellphone Allowance	12,000	8,400
	746,221	**520,163**

Ms. TPM Lebenya was re-appointed as the executive manager community services and commenced her term of office on the 1st of September 2013.

Remuneration of executive manager Corporate Service - Ms P Moloi

	2014	2013
Annual Remuneration	-	121,000
Car Allowance	-	39,000
Contributions to UIF, Medical, Pension Funds and Skills Development	-	2,759
Travel, motor car, accommodation, subsistence and other allowances	-	101,918
Cellphone	-	3,600
	-	**268,277**

Ms. P Moloi was appointed as the Executive manager Corporate Service and commenced her term of office from 1 October 2010. Her contract ended on the 30th of September 2012.

Remuneration of acting executive manager Corporate Services - Mr. NK Rens

	2014	2013
Annual Remuneration	-	192,400
Car allowance	-	54,027
Cellphone allowance	-	5,000
Contributions to UIF, Medical and Pension Funds	-	54,390
Travel, motor car, accommodation, subsistence and other allowances	-	234,990
	-	**540,807**

Mr. NK Rens, HR Manager, was appointed as the acting executive manager corporate services from the 1st of October 2012 to the 28th of February 2013.

Notes to the Financial Statements

Figures in Rand	2014	2013

21. Remuneration related costs (continued)

Remuneration of executive manager corporate services - Mr. SK Khote

	2014	2013
Annual Remuneration	512,500	-
Car allowance	170,833	-
Cellphone allowance	12,000	-
Contributions to UIF, Medical and Pension Funds	8,099	-
Travel, motor car, accommodation, subsistence and other allowances	37,178	-
	740,610	**-**

Mr. SK Khote was appointed as the corporate services executive manager and began his term of office on the 1st of September 2013.

Remuneration of acting executive manager corporate services - Mr VJ Matshila

	2014	2013
Annual Remuneration	-	33,029
Travel, motor car, accommodation, subsistence and other allowances	-	26,496
	-	**59,525**

Mr. VLT Matshila was seconded by the Free State MEC of Corporate Governance and Traditional Affairs to act as the executive manager Corporate Services and commenced his term on the 1st of March 2013 until the end of the financial year.

22. Remuneration of councillors

	2014	2013
Executive Mayor - Dr BE Mzangwa	885,890	880,050
Mayoral Committee Members	3,969,702	3,425,313
Councillors	2,247,940	1,686,938
Chief Whip - Mr. MM Radebe	581,530	372,938
Councillors M Vilakazi - Chairperson MPAC	568,662	-
Speaker - Mr. MS Maduna	365,829	376,796
Chief Whip - Ms. MS Moleleki	-	193,517
	8,619,553	**6,935,552**

The remuneration of the political office-bearers and councillors are within the upper limits as determined by the framework envisaged in section 219 of the constitution.

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. The Executive Mayor, Deputy Executive Mayor, Speaker and Chief whip is provided with an office and secretarial support at the cost of the Council. The Mayoral Committee Members are provided with pool secretarial support and offices at the cost of the Council.

The Executive Mayor has the use of separate Council owned vehicles for official duties.

Notes to the Financial Statements

Figures in Rand	2014	2013

23. Repairs and maintenance

Current year expenditure		
Maintenance buildings	467,519	50,217
Maintenance general	617,815	449,449
Maintenance rental equipment	545,724	850
	1,631,058	**500,516**

24. Cash (used in) generated from operations

(Deficit) surplus	(5,047,883)	722,749
Adjustments for:		
Depreciation and amortisation	1,650,574	1,202,241
(Gain) / Loss of assets due to theft/disposal	(15,848)	(180,609)
Finance costs - Finance leases	33,833	283,042
Debt impairment	-	14,336
Movements in operating lease assets and accruals	-	(3,200)
Expenditure incurred from provision for long service awards	26,000	260,000
Changes in working capital:		
Receivables from non-exchange transactions	(200,692)	(205,311)
Payables from exchange transactions	(2,475,147)	(684,631)
VAT receivable	(3,760,180)	(658,985)
Unspent conditional grants and receipts	(2,901,068)	1,834,346
	(12,690,411)	**2,583,978**

25. Commitments

25.1 Commitments in respect of operating expenditure

Notes to the Financial Statements

Figures in Rand	2014	2013

25. Commitments (continued)

Approved and contracted for - Budget rolled forward		
• Bolata Gravel Road Upgrade	2,527	2,865,955
• Brick Block Project - Qholaqhwa village	979,438	6,000,000
• Layout, design and printing of annual and oversight report	-	124,680
• Oxidation Ponds - Memel / Zamani	135,000	405,000
• Oxidation Ponds - Thaba Patchoa	-	5,891
• Production of corporate dvd	-	174,240
• Supply and delivery of newspapers	-	171,697
• Upgrade of gravel road - Hasethunya	-	28,879
• Upgrade of gravel road - Leratswana	-	882,041
• Upgrade of gravel road - Petsana	126,728	939,172
• Compilation of annual financial statements	782,496	1,317,791
• Photocopy machine maintenance	-	6,235
• Renovation of Community Services Office	24,355	-
• Supply and delivery of Laptop computers	32,000	-
• Supply and delivery of vehicles	171,308	-
• Perfomance management electronic system	175,675	-
• Supply and installation of Biometric system	404,057	-
• Review of Municipal strategy	493,624	-
• Employment wellness in the Municipality	471,325	-
• Completion of outfall sewer, rising main, inlet.E & M workds	2,296,970	-
• Design and installation of solar stret lights in MAP and Phumelela	469,843	-
• Development of rural road aset management system (RRAM for TMDM)	6,387,910	-
• Investigation of irregular, fruitless, wastefull expenditure for period of 2010/11, 2011/12 and 2012/13	112,860	-
• Supply and delivery of office furniture	305,217	-
• Development and implementation of disaster recovery plan	2,955,461	-
	16,326,794	**12,921,581**

This committed expenditure relates to various projects and will be financed by available bank facilities.

Figures in Rand	2014	2013

26. Contingencies

RSC levy payers association vs Municipality

The municipality has a contingent liability of R80 million as a result of a legal dispute between the municipality and levy rate payers. The background and details of this contingent liability are provided below.

According to the now abolished RSC Levies Act all entities doing business within the jurisdiction of the District Municipality must pay levies to that municipality. This legislation was terminated on 30 June 2006, and the 13 555 levy payers had until 30 June 2008 to settle their outstanding levies.

During 2007/08, the municipality appointed Podbielski Mhlambi Inc attorneys to assist with the levies debt collection of the amount owed by rate payers. The RSC legislation stipulated that the amount to be recovered should be calculated as a percentage of the levy payer’s revenue and salaries cost.

The total value of these levy debtors (both registered and unregistered) was originally estimated at R49 million before impairment (refer note 5).

Some of the levy rate payers opposed the method of calculation of the levies in court and the municipality lost the first case. The municipality is currently preparing its case for application for leave to appeal the previous Court judgement, which commenced in August 2010 and is still currently proceeding. Should the municipality be unsuccessful in their appeal, it is estimated that legal costs of R80 million will be payable to the attorneys acting for the levy payers. An accurate valuation and possible outcome cannot be determined due to the unique nature of the case. Given that th cases before the Supreme Court of Appeal have benen lost, it is a real posibility that the Municipality will owe an amount of approximatly R80million for leagl fes accorded to the defendants in these matters.

Additional details on the legal fees incurred and paid to date as well as levy debtors recovered are provided below.

To date only R4 697 667 was recovered from levy rate payers by Podbielski Mhlambi Inc and an additional R1 516 161 was paid directly to the municipality. The total levy debtors amount recovered to date is therefore R6 213 828. The legal fee billed to date is R41 798 650 of which R26 749 495 has been paid to Podbielski Mhlambi Inc attorneys.

The reconciliation below shows the legal fees billed and paid and debt collection to date per financial year.

Financial year	Legal fees billed	Legal fees paid	Fees outstanding	Debt Collected**
Prior 2009	21,976,005	(13,043,932)	8,932,073	3,178,053
2010	13,954,357	(6,500,000)	7,454,357	1,195,207
2011	4,648,786	(3,961,961)	686,825	221,930
2012	1,219,502	(2,000,000)	(780,498)	102,477
2013	-	(1,243,602)	(1,243,602)	-
2014	1,243,602	(1,243,602)	-	
Total	43,042,252	(27,993,097)	15,049,155	4,697,667

***Debt collected to date excludes the additional amount of R1 516 161 paid directly to the municipality (Refer to note 12).*

Figures in Rand	2014	2013

26. Contingencies (continued)

The outstanding legal fees of R15 049 155 has been raised as a liability (refer to note 12). The municipality estimates that a further R1.7 million in legal fees to its attorneys, Sunil Narian Incorporated Attorneys will be incurred to bring all the matters to completion.

RSC levies received by Podbielski Mhlambi Attorneys on behalf of council

RSC levies collected to date amount to R4 697 667 as disclosed above, this money was received by Podbielski Mhlambi Attorneys acting on behalf of the municipality. This money is kept in a trust account pending the legal outcome on the RSC levy dispute between the municipality and the levy payers, should the court rule against Council, Podbielski Mhlambi Attorneys will be obliged to refund the levy payers all monies received.

Podbielski Mhlambi Attorneys have off-set the RSC levies received against the legal fees owed to the firm, thus mean if the legal outcome is against Council, the debt owed to Podbielski Mhlambi Attorneys will increase by the amount RSC levies collected.

MSMM Attorneys vs Municipality

The municipality has a contingent liability of R2 000 000 as a result of a legal dispute between the municipality and MSMM Attorneys. The background and details of this contingent liability are provided below.

MSMM attorneys have issued summons for an amount of R2 000 000 against the municipality. According to MSMM Attorneys this amount is for legal services they rendered for collecting outstanding levy debt for the municipality based on their arrangement with Thakangoaga Investment CC. The municipality has appointed Podbielski Mhlambi Inc attorneys to defend the matter.

When the legislation on RSC levies was terminated on 30 June 2006, the municipality appointed Thakangoaha Investments CC in November 2007 to identify the outstanding levy payers and recover the outstanding levies due to the municipality. For this purpose, Thakangoaha appointed MSMM Attorneys to take the necessary legal action against these outstanding levy payers. Thakangoaha was to receive R150 for each of the then 13 000 outstanding cases, and also 20% of the total amount to be recovered from the levy payers.

As at February 2008, in an attempt to recover outstanding levies, MSMM issued 6 000 summons to levy payers. The municipality received numerous counter claims from levy payers. According to levy payers, summons issued did not comply with legal requirements. The municipality then sought legal opinion, which confirmed that summons issued did not comply with legal requirements.

MSMM Attorneys are now suing the municipality for not paying fees for legal services rendered by them based on instruction from Thakangoaha Investment CC. The municipality will defend this R2 000 000 claim by MSMM Attorneys based on legal advice received. It is expected that the court hearing for this matter will take place in 2014.

The municipality estimates to incur legal cost of R150 000 to defend the above matter.

26. Contingencies (continued)

Infrastructure Finance Corporation vs Municipality

The municipality has a contingent liability of R2 269 693 as a result of a legal dispute between the municipality and Infrastructure Finance Corporation. The background and details of this contingent liability are provided below.

The municipality purchased copiers from Nashua Bethlehem. Nashua Bethlehem erroneously made use of two financing houses to finance the purchase of these office machines. Subsequently the municipality paid both financing houses for these copiers. It was only after a year that they realised payments were being made in duplicate. The municipality stopped all payments (to both financing houses) after the fraudulent nature of the transaction was discovered.

Podbielski Mhlambi Inc was appointed by the municipality and identified that the one financing house produced falsified documentation. The copiers delivered to the municipality also differed from the goods purchased as per the supporting documentation. It was later determined that the goods delivered were stolen goods.

The Municipality instructed its attorney to recover the overpayment from the financing house and it was established that they have been liquidated. The Municipality's attorney advised the municipality not to attempt recovering the over payments as there were no sufficient funds available in the estate.

Infrastructure Finance Corporation is suing the municipality for the outstanding payments, which amount to R2 million.

The Municipality is currently defending the matter in the Free State High Court. It’s expected that it will probably proceed to trial towards the end of 2014. It is expected that a further R200 000 legal costs will be incurred to bring this matter to completion.

Thakangoaha Investments vs Municipality

Thakangoaha Investments was originally awarded the tender relating to the collection of outstanding RSC levies in 2006/2007. Due to the unsuccessful attempts at collection of levies, incorrect legal practices followed and the legal nature of the RSC levies matter, the municipality had to terminate their contract and appoint Phodbielski Mhlambi Law Firm to correct the unlawful and unsuccessful attempts at collection made by Thakangoaha Investments and to proceed to defend the RSC levies matter in court.

Thakangoaha issued summon against the Municipality for an amount of R3 500 000 including interest and cost. The Municipality at that time failed to defend the matter. When the Deputy Sheriff attached the Municipality's property as a result of the judgement, the Municipality instructed Podbielski Mhlambi to apply for a Rescission of Judgement. This application was processed and the matter placed on the court-role.

The municipality has also filed a counter claim of R2 000 000 against Thakangoaha Investments.

The firm understands that thre are 8000 outstanding defended cases before various mgistrates' courts regarding the RSC levies. The firm does not have sight of these files as Podbilskie Mhlambi attorneys has placed a lien on the files until client pays it as a claim of R15 049 155 for fees and disbursements.

The outstanding legal fees of R15 049 155 has been raised as a liability. The municipality estimates that approximately R5 000 000 in legal fees to its attorneys Sunil Narian Incoporated will be incurred in defending this action as Podbielski Mhlambi Attorneys have issued a letter of demand for the recovery of its fees.

Notes to the Financial Statements

26. Contingencies (continued)

Podbielski Mhlambi Attorneys vs Thabo Mofutsanyane:

Estimated Cliam	Legal Fees	Costs against TMDM
R15 000 000.00	R5 000 000.00	R250 000.00

RCS Levies including Rudnat/Agri and Badenhorst

Estimated Cliam	Legal Fees	Costs against TMDM
R1 200 000.00	R80 000 000.00	Approximately 8000 cases

There are amounts if approximately R5 000 000.00 owing to Honey and Partners attorneys in Bloemfontein who have acted as correspondents for the Rudnat and Agri operations.

Advocate Ploos van Amstel is owed an amount of approximately R200 000.00 which constitutes historical billings to Podbielskie attorneys.

Housing guarantees

A contingent liability exists for the municipality to pay the guarantee amount in the event of the employee not being able to settle their bond / default on payment.
The Municipality has provided housing guarantee's to the employees listed below. The maximum amount each qualifying employee may receive is R85 000.

Name of employee	Effective date	Guarantee amount
Mazibuko Mwelase	25/05/2005	17,000
Mollo Ngobese	22/03/2006	17,000
Motloung Mohoabadi	04/10/2006	17,000
Moloi Khesa	25/05/2005	17,000
Motloung Sylvia	30/01/2007	17,000
Moloi Materonko	08/10/2002	13,000
Mthombeni Sthembiso	01/10/2004	14,000
Dusse Ronald	01/07/2006	17,000
Majoro Matsiliso	01/07/2006	17,000
Swart Pierre	01/07/2006	17,000
Viljoen Johannes	01/07/2006	17,000
Du toit Pieter	01/07/2006	17,000
Malan M.P	01/07/2006	17,000
Oosthuizen Corrie	01/07/2006	17,000
Mani Koahela	01/07/2009	17,000
	Total guarantees issued	248,000

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.

Notes to the Financial Statements

Figures in Rand	2014	2013

26. Contingencies (continued)

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 / back-pay.

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.

27. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- entities that are directly or indirectly controlled by the municipality;
- associates;
- joint ventures and management;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence.
- entities that control or exert significant influence over the municipality

The economic entity's key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004.

The only related party transactions for the current financial year were with key management personnel. Refer to note 22 for detailed disclosure.

28. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risk, market risk, credit risk and liquidity risk.

Notes to the Financial Statements

Figures in Rand	2014	2013

28. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the economic entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Market risk

Cash flow and fair value interest rate risk
The municipality's interest rate risk arises from finance lease liabilities and short term investments. Finance leases and short term investments at variable rates expose the municipality to cash flow interest rate risk. The sensitivity analysis for cash flow and fair value interest rate risk to which the municipality is exposed at the end of the reporting period is not considered material on profit and loss and were therefore not disclosed. During 2012 and 2013, the municipality's borrowings and investments at variable rates were denominated in the Rand.

29. Going concern

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

30. Events after the reporting date

The were no material events to report after the reporting date.

31. Unauthorised expenditure

Reconciliation of unauthorised expenditure

Management performed a review of transactions and identified none of the transactions to be unauthorised expenditure in accordance to the guidelines set per Chapter 1 of the MFMA.

32. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

	2014	2013
Opening balance	1,323,279	1,323,279
Fruitless and wasteful expenditure - current year	401,053	-
	1,724,332	**1,323,279**

Current year fruitless and wasteful expenditure consists;

- Penalties and interest, on employee taxes submitted late to SARS, of R281,522,
- Interest and penalties, Compensation Commissioner, of R119,531.

	2014	2013
Expenditure awaiting to be condened	209,556	-
Expenditure to be recovered	281,522	-
	491,078	**-**

Notes to the Financial Statements

Figures in Rand	2014	2013

33. Irregular expenditure

Opening balance	46,092,973	43,497,045
Irregular Expenditure - current year	-	2,595,928
Incorrect classification of irregular expenditure - prior periods	(908,916)	-
	45,184,057	**46,092,973**

Expenditure waiting to be condoned amounts to R7,454,920

During the current year, management analysed the prior years irregular expenditure as disclosed, it was identified that expenditure totalling to R908,916 was erroneously disclosed as irregular expenditure. The expenditure identified do not meet the definitions of irregular expenditure as prescribed by MFMA.

A Municipal Public Accountant Committee is to convene to analyse and review the findings on irregular expenditure incurred, upon the recommendations provided by the Municipal Public Accountant Committee to Council, a council will resolve either to condone or recover the irregular expenditure as stated above as waiting tobe condoned.

Details of irregular expenditure - prior period

	Details	
Procurement without three written price quotations	Deviation from procurement processes	1,490,343
Procurement of legal services without SCM process	Deviation from procurement process	1,105,585
		2,595,928

Figures in Rand	2014	2013

33. Irregular expenditure (continued)

Deviations from SCM process

Deviations for the current year	10,868,165	2,426,537

Details of deviation

Procurement of advertising	1,022,308	966,274
Procurement of accommodation	392,582	984,965
Procurement of other goods and service	7,578,120	475,298
Procurement of Training services	381,848	-
Procurement of Legal services	1,493,308	-
	10,868,166	**2,426,537**

34. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	450,000	396,200
Current year subscription / fee	-	456,000
Amount paid - current year	(450,000)	(402,200)
	-	**450,000**

Material losses through criminal conduct

The municipality incurred no material losses through criminal conduct during the reporting period.

There was however an incident of alleged fraud. The case is currently still being investigated by the SAPS and therefore no further information can be given.

Notes to the Financial Statements

Figures in Rand	2014	2013

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

Audit fees

Opening balance	109,570	2,116
Prior year fees	2,818,720	2,492,554
Amount paid - previous years	(2,818,720)	(2,385,100)
	109,570	**109,570**

Pension and Medical Aid Deductions

Current year subscription / fee	7,292,088	5,746,169
Amount paid - current year	(7,292,088)	(5,746,169)
	-	-

VAT

VAT receivable	4,679,226	919,046

35. Municipal office occupation

The Municipal head office situated at 1 Mampoi Street, Old Parliament Building, Wistsieshoek is leased from the Free State Department of Public Works for no rental consideration.

The comparative amounts were not restated, since the balances remained unchanged.

Notes to the Financial Statements

Figures in Rand	2014	2013

36. Prior period errors

During the current financial year, managemen separately disclosed leased assets in the notes to financial statements as a separate line item. In the previous financial year, leased assets were included in the balance of IT equipments. The impact of this disclosure reduces balances for IT equipments previously disclosed with the same amount that is now showing as leased assets. The total PPE costs, accummulatd depreciation and book value remains unchanged, as the disclosure and reallocation is within the PPE group.

Statement of financial position		
Decrease in IT equipments Cost	-	(1,147,235)
Increase in Office Equipment - Leased Assets Cost	-	1,147,235
Decrease in IT equipments Accummulated depreciation	-	(1,105,294)
Increase in Office equipment - Leased assets accummulated depreciation	-	1,105,294
Total changes in the statement of financial position	**-**	**-**

During the current financial year, managemen has separately disclosed in the face of the financial statements, statement of financial performance, all material line items separately and individually that were previously disclosed under general expense. The disclosure affects the general expenses, Consulting and professional fees, Grants and subsidies paid, with the fllowing amounts:

Statement of Financial Performance		
Decrease in General expenses	-	(25,837,882)
Increase in Contractual services	-	949,437
Increase in Grants and subsidies paid	-	24,888,445
Total changes to Accumulated Surplus or Deficit	**-**	**-**

37. Contracted services

Review of Strategic Objective	500,000	-
Contracted Financial Support	802,830	949,437
Performance Management System	906,006	-
	2,208,836	**949,437**

38. Grants and subsidies paid

Local government assistance - Own funding	18,527,739	3,138,456
COGTA Provincial Infrastructure Grant	1,727,735	21,749,989
	20,255,474	**24,888,445**

39. Revenue

Sundry income	51,803	42,150
Government grants & subsidies	86,206,986	83,402,347
Interest received - investment	2,442,067	2,518,928
	88,700,856	**85,963,425**

Notes to the Financial Statements

Figures in Rand	2014	2013

39. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received - investment	2,442,067	2,518,928
Sundry income	51,803	42,150
	2,493,870	**2,561,078**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	86,206,986	83,402,347

40. Budget differences

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The financial statements for the whole-of-government are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the financial statements for timing differences associated with the continuing appropriation and differences in the entities covered (government business enterprises) were made to express the actual amounts on a comparable basis to the final approved budget.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

Schedule of external loans as at 30 June 2014

	Loan Number	Redeemable	Balance at 30 June 2013 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2014 Rand	Carrying Value of Property, Plant & Equipment Rand	Other Costs in accordance with the MFMA Rand
Lease liability								
Kyocera KM C2525E full colour copier	L02.01		19,986	-	19,986	-	-	-
Kyocera KM C2525E full colour copier	L02.02		24,806	-	24,806	-	-	-
Kyocera KM C3232 full colour copier	L02.03		27,231	-	27,231	-	-	-
Riso HC 5500	L02.04		52,826	-	52,826	-	-	-
Riso HC 5500	L02.05		52,826	-	52,826	-	-	-
Kyocera KM3060	L02.06		13,826	-	13,826	-	-	-
Samsung CLX3160FN Multi functional copier	L02.07		1,870	-	1,870	-	-	-
KYOCERA - TASKalafa 3051ci	L03.01		-	177,190	4,922	172,268	-	-
KYOCERA - FS-1135 MPF	L03.02		-	28,974	805	28,169	-	-
KYOCERA - TASKalafa 2551ci	L03.03		-	147,955	4,110	143,845	-	-
KYOCERA - TASKalafa 6550ci	L03.04		-	426,971	11,860	415,111	-	-
KYOCERA - TASKalafa 7550ci	L03.05		-	426,971	11,860	415,111	-	-
KYOCERA - FS-3140 MPF	L03.06		-	84,482	2,347	82,135	-	-
KYOCERA - TASKalafa 2551ci	L03.07		-	147,955	4,110	143,845	-	-
KYOCERA - FS-6530MFP	L03.08		-	139,945	3,887	136,058	-	-
			193,371	**1,580,443**	**237,272**	**1,536,542**	**-**	**-**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

Appendix B
June 2014

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
Motor vehicles	682,438	1,305,325	-	-	-	**-**	**1,987,763**	(682,438)	-	-	(42,487)	-	**(724,925)**	1,262,838
Furniture & Fittings	982,195	320,988	-	-	-	**-**	**1,303,183**	(475,353)	-	-	(162,240)	-	**(637,593)**	665,590
IT Equipment	1,878,437	378,964	(8,116)	-	-	**-**	**2,249,285**	(954,079)	4,464	-	(436,942)	-	**(1,386,557)**	862,728
Leased assets	1,147,235	1,580,444	(1,147,235)	-	-	**-**	**1,580,444**	(1,105,294)	1,147,235	-	(85,842)	-	**(43,901)**	1,536,543
	4,690,305	**3,585,721**	**(1,155,351)**	**-**	**-**	**-**	**7,120,675**	**(3,217,164)**	**1,151,699**	**-**	**(727,511)**	**-**	**(2,792,976)**	**4,327,699**
Total property plant and equipment														
Other assets	4,690,305	3,585,721	(1,155,351)	-	-	**-**	**7,120,675**	(3,217,164)	1,151,699	-	(727,511)	-	**(2,792,976)**	4,327,699
	4,690,305	**3,585,721**	**(1,155,351)**	**-**	**-**	**-**	**7,120,675**	**(3,217,164)**	**1,151,699**	**-**	**(727,511)**	**-**	**(2,792,976)**	**4,327,699**
Intangible assets														
Computers - software & programming	1,602,044	-	-	-	-	**-**	**1,602,044**	(1,109,527)	-	-	(492,517)	-	**(1,602,044)**	-
	1,602,044	**-**	**-**	**-**	**-**	**-**	**1,602,044**	**(1,109,527)**	**-**	**-**	**(492,517)**	**-**	**(1,602,044)**	**-**
Total														
Other assets	4,690,305	3,585,721	(1,155,351)	-	-	**-**	**7,120,675**	(3,217,164)	1,151,699	-	(727,511)	-	**(2,792,976)**	4,327,699
Intangible assets	1,602,044	-	-	-	-	**-**	**1,602,044**	(1,109,527)	-	-	(492,517)	-	**(1,602,044)**	-
	6,292,349	**3,585,721**	**(1,155,351)**	**-**	**-**	**-**	**8,722,719**	**(4,326,691)**	**1,151,699**	**-**	**(1,220,028)**	**-**	**(4,395,020)**	**4,327,699**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix C
June 2014

Segmental analysis of property, plant and equipment as at 30 June 2014

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Corporate services	617,165	706,906	(229,447)	-	-	**-**	**1,094,624**	(425,950)	229,447	-	(90,939)	-	**(287,442)**	807,182
Finance	443,324	511,453	(237,563)	-	-	**-**	**717,214**	(425,950)	233,911	-	(90,939)	-	**(282,978)**	434,236
Local economic development and tourism	616,941	1,243,922	-	-	-	**-**	**1,860,863**	(235,510)	-	-	(90,939)	-	**(326,449)**	1,534,414
Mayco and Council	581,526	206,165	(114,724)	-	-	**-**	**672,967**	(425,950)	114,724	-	(90,939)	-	**(402,165)**	270,802
Office of Municipal Manager	635,003	147,955	(229,447)	-	-	**-**	**553,511**	(425,950)	229,447	-	(90,939)	-	**(287,442)**	266,069
Office of Executive Mayor	603,871	147,955	(229,447)	-	-	**-**	**522,379**	(425,950)	229,447	-	(90,939)	-	**(287,442)**	234,937
Office of the Speaker	854,225	-	(114,724)	-	-	**-**	**739,501**	(425,950)	114,724	-	(90,939)	-	**(402,165)**	337,336
Technical services	608,246	61,404	-	-	-	**-**	**669,650**	(425,950)	-	-	(90,939)	-	**(516,889)**	152,761
	4,960,301	**3,025,760**	**(1,155,352)**	**-**	**-**	**-**	**6,830,709**	**(3,217,160)**	**1,151,700**	**-**	**(727,512)**	**-**	**(2,792,972)**	**4,037,737**
Municipal Owned Entities														
Total														
Municipality	4,960,301	3,025,760	(1,155,352)	-	-	**-**	**6,830,709**	(3,217,160)	1,151,700	-	(727,512)	-	**(2,792,972)**	4,037,737
	4,960,301	**3,025,760**	**(1,155,352)**	**-**	**-**	**-**	**6,830,709**	**(3,217,160)**	**1,151,700**	**-**	**(727,512)**	**-**	**(2,792,972)**	**4,037,737**

Budget Analysis of Capital Expenditure as at 30 June 2014

	Additions Rand	Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Corporate services	1,323,131	1,845,000	521,869	**28**	
Finance	86,057	120,000	33,943	**28**	
Local economic development and tourism	1,649,431	2,300,000	650,569	**28**	
Mayco and Council	50,200	70,000	19,800	**28**	
Office of Municipal Manager	215,143	300,000	84,857	**28**	
Office of Executive Mayor	53,786	75,000	21,214	**28**	
Office of the Speaker	107,572	150,000	42,428	**28**	
Whippery office	35,857	50,000	14,143	**28**	
Planning, Policy and Strategy	64,543	90,000	25,457	**28**	
	3,585,720	**5,000,000**	**1,414,280**	**28**	

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts	Quarterly Expenditure	Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds
		Jun			
EPWP	Department of Public Works	1,000,000	(1,000,000)	-	
MSIG	Department of Corporate Governance and Traditional Affairs	890,000	(890,000)	-	
FMG	Department of Treasury	1,250,000	(1,250,000)	-	To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme guidelines.
Equitable Share	Department of Treasury	81,281,000	(81,281,000)	-	To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation, policies and local government turnaround strategy.
		-	-	-	
		-	-	-	
		-	-	-	
		-	-	-	
		-	-	-	
		84,421,000	(81,648,735)	-	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	**60,976,169**	**25,479,868**	**86,456,037**	**-**		**86,456,037**	**86,560,288**		**104,251**	**100 %**	**142 %**				**-**
Executive and council	26,043,837	(25,153,898)	889,939	-		889,939	891,272		1,333	100 %	3 %				-
Budget and treasury office	17,354,098	68,212,000	85,566,098	-		85,566,098	85,669,016		102,918	100 %	494 %				-
Corporate services	17,578,234	(17,578,234)	-	-		-	-		-	DIV/0 %	- %				-
Community and public safety	**16,374,881**	**(16,374,881)**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**- %**				**-**
Community and social services	16,374,881	(16,374,881)	-	-		-	-		-	DIV/0 %	- %				-
Economic and environmental services	**9,504,950**	**(7,366,881)**	**2,138,069**	**-**		**2,138,069**	**2,140,568**		**2,499**	**100 %**	**23 %**				**-**
Planning and development	9,504,950	(7,366,881)	2,138,069	-		2,138,069	2,140,568		2,499	100 %	23 %				-
Total Revenue - Standard	**86,856,000**	**1,738,106**	**88,594,106**	**-**		**88,594,106**	**88,700,856**		**106,750**	**100 %**	**102 %**				**-**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2014

	2014/2013														2013/2012
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**54,566,004**	**565,918**	**55,131,922**	**-**	**-**	**55,131,922**	**48,472,103**	**-**	**(6,659,819)**	**88 %**	**89 %**	**-**	**-**	**-**	**-**
Executive and council	26,043,837	2,190,159	28,233,996	-	-	28,233,996	24,823,655	-	(3,410,341)	88 %	95 %	-	-	-	-
Budget and treasury office	13,443,933	(1,693,354)	11,750,579	-	-	11,750,579	10,331,108	-	(1,419,471)	88 %	77 %	-	-	-	-
Corporate services	15,078,234	69,113	15,147,347	-	-	15,147,347	13,317,340	-	(1,830,007)	88 %	88 %	-	-	-	-
Economic and environmental services	**23,379,831**	**28,934,314**	**52,314,145**	**-**	**-**	**52,314,145**	**45,994,485**	**-**	**(6,319,660)**	**88 %**	**197 %**	**-**	**-**	**-**	**-**
Planning and development	9,504,950	28,961,781	38,466,731	-	-	38,466,731	33,819,945	-	(4,646,786)	88 %	356 %	-	-	-	-
Environmental protection	13,874,881	(27,467)	13,847,414	-	-	13,847,414	12,174,540	-	(1,672,874)	88 %	88 %	-	-	-	-
Total Expenditure - Standard	**77,945,835**	**29,500,232**	**107,446,067**	**-**	**-**	**107,446,067**	**94,466,588**	**-**	**(12,979,479)**	**88 %**	**121 %**	**-**	**-**	**-**	**-**
Surplus/(Deficit) for the year	**8,910,165**	**(27,762,126)**	**(18,851,961)**	**-**		**(18,851,961)**	**(5,765,732)**		**13,086,229**	**31 %**	**(65)%**				**-**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2014

	2014/2013														2013/2012
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote 1 - Council	26,043,837	(25,153,898)	889,939	-		889,939	891,009		1,070	100 %	3 %				-
Vote 2 - Finance and administration	34,932,332	50,634,000	85,566,332	-		85,566,332	85,669,208		102,876	100 %	245 %				-
Vote 3 - Planning and development	9,504,950	(7,366,881)	2,138,069	-		2,138,069	2,140,640		2,571	100 %	23 %				-
Vote 4 - Community and Social	16,374,881	(16,374,881)	-	-		-	-		-	DIV/0 %	- %				93,764,586
Total Revenue by Vote	**86,856,000**	**1,738,340**	**88,594,340**	**-**		**88,594,340**	**88,700,857**		**106,517**	**100 %**	**102 %**				**1,125,175,032**
Expenditure by Vote to be appropriated															
Vote 1 - Council	26,043,837	2,190,159	28,233,996	-	-	28,233,996	24,823,331	-	(3,410,665)	88 %	95 %	-	-	-	-
Vote 2 - Finance and administration	28,522,167	(1,624,241)	26,897,926	-	-	26,897,926	23,648,658	-	(3,249,268)	88 %	83 %	-	-	-	-
Vote 3 - Planning and development	9,504,950	28,961,781	38,466,731	-	-	38,466,731	33,819,952	-	(4,646,779)	88 %	356 %	-	-	-	-
Vote 4 - Community and Social	13,874,881	(27,467)	13,847,414	-	-	13,847,414	12,174,647	-	(1,672,767)	88 %	88 %	-	-	-	-
Total Expenditure by Vote	**77,945,835**	**29,500,232**	**107,446,067**	**-**	**-**	**107,446,067**	**94,466,588**	**-**	**(12,979,479)**	**88 %**	**121 %**	**-**	**-**	**-**	**-**
Surplus/(Deficit) for the year	**8,910,165**	**(27,761,892)**	**(18,851,727)**	**-**		**(18,851,727)**	**(5,765,731)**		**13,085,996**	**31 %**	**(65)%**				**1,125,175,032**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Interest earned - external investments	1,560,000	640,000	2,200,000	-		2,200,000	2,442,067		242,067	111 %	157 %				2,518,928
Transfers recognised - operational	84,421,000	1,173,332	85,594,332	-		85,594,332	-		(85,594,332)	- %	- %				80,630,082
Other revenue	875,000	(75,000)	800,000	-		800,000	51,803		(748,197)	6 %	6 %				42,150
Gains on disposal of PPE	-	-	-	-		-	15,848		15,848	DIV/0 %	DIV/0 %				180,609
Total Revenue (excluding capital transfers and contributions)	**86,856,000**	**1,738,332**	**88,594,332**	**-**		**88,594,332**	**2,509,718**		**(86,084,614)**	**3 %**	**3 %**				**83,371,769**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	41,576,177	(277,819)	41,298,358	-	-	41,298,358	41,868,446	-	570,088	101 %	101 %	-	-	-	35,499,932
Remuneration of councillors	8,271,995	277,556	8,549,551	-	-	8,549,551	8,619,554	-	70,003	101 %	104 %	-	-	-	6,935,552
Depreciation & asset impairment	800,000	231,072	1,031,072		-	1,031,072	1,650,574	-	619,502	160 %	206 %	-	-	-	1,216,576
Finance charges	60,000	-	60,000	-	-	60,000	33,833	-	(26,167)	56 %	56 %	-	-	-	283,042
Other materials	600,000	150,000	750,000	-	-	750,000	-	-	(750,000)	- %	- %	-	-	-	-
Contracted services	2,832,225	(1,000,000)	1,832,225	-	-	1,832,225	2,208,836	-	376,611	121 %	78 %	-	-	-	949,437
Transfers and grants	29,500,000	(2,662,789)	26,837,211	-	-	26,837,211	20,255,474	-	(6,581,737)	75 %	69 %	-	-	-	24,888,445
Other expenditure	23,805,435	3,281,273	27,086,708	-	-	27,086,708	19,127,870	-	(7,958,838)	71 %	80 %	-	-	-	15,648,300
Total Expenditure	**107,445,832**	**(707)**	**107,445,125**	**-**	**-**	**107,445,125**	**93,764,587**	**-**	**(13,680,538)**	**87 %**	**87 %**	**-**	**-**	**-**	**85,421,284**
Surplus/(Deficit)	**(20,589,832)**	**1,739,039**	**(18,850,793)**	**-**		**(18,850,793)**	**(91,254,869)**		**(72,404,076)**	**484 %**	**443 %**				**(2,049,515)**
Contributed assets	(5,000,000)	-	(5,000,000)	-		(5,000,000)	-		5,000,000	- %	- %				-
Surplus/(Deficit) after capital transfers & contributions	**(25,589,832)**	**1,739,039**	**(23,850,793)**	**-**		**(23,850,793)**	**(91,254,869)**		**(67,404,076)**	**383 %**	**357 %**				**(2,049,515)**
Surplus/(Deficit) after taxation	**(25,589,832)**	**1,739,039**	**(23,850,793)**	**-**		**(23,850,793)**	**(91,254,869)**		**(67,404,076)**	**383 %**	**357 %**				**(2,049,515)**
Surplus/(Deficit) attributable to municipality	**(25,589,832)**	**1,739,039**	**(23,850,793)**	**-**		**(23,850,793)**	**(91,254,869)**		**(67,404,076)**	**383 %**	**357 %**				**(2,049,515)**
Surplus/(Deficit) for the year	**(25,589,832)**	**1,739,039**	**(23,850,793)**	**-**		**(23,850,793)**	**(91,254,869)**		**(67,404,076)**	**383 %**	**357 %**				**(2,049,515)**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2014

2014/2013											2013/2012			
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2014

	2014/2013														2013/2012
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Capital Expenditure - Standard															
Governance and administration	**2,500,000**	**110,000**	**2,610,000**	**-**	**-**	**2,610,000**	**1,871,746**	**-**	**(738,254)**	**72 %**	**75 %**	**-**	**-**	**-**	**-**
Executive and council	-	645,000	645,000	-	-	645,000	462,558	-	(182,442)	72 %	DIV/0 %	-	-	-	-
Budget and treasury office	-	120,000	120,000	-	-	120,000	86,057	-	(33,943)	72 %	DIV/0 %	-	-	-	-
Corporate services	2,500,000	(655,000)	1,845,000	-	-	1,845,000	1,323,131	-	(521,869)	72 %	53 %	-	-	-	-
Community and public safety	**2,500,000**	**(200,000)**	**2,300,000**	**-**	**-**	**2,300,000**	**1,649,431**	**-**	**(650,569)**	**72 %**	**66 %**	**-**	**-**	**-**	**-**
Community and social services	2,500,000	(200,000)	2,300,000	-	-	2,300,000	1,649,431	-	(650,569)	72 %	66 %	-	-	-	-
Economic and environmental services	**-**	**90,000**	**90,000**	**-**	**-**	**90,000**	**64,543**	**-**	**(25,457)**	**72 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Planning and development	-	75,000	75,000	-	-	75,000	53,786	-	(21,214)	72 %	DIV/0 %	-	-	-	-
Road transport	-	15,000	15,000	-	-	15,000	10,757	-	(4,243)	72 %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Standard	**5,000,000**	**-**	**5,000,000**	**-**	**-**	**5,000,000**	**3,585,720**	**-**	**(1,414,280)**	**72 %**	**72 %**	**-**	**-**	**-**	**-**
Funded by:															
Internally generated funds	5,000,000	-	5,000,000	-		5,000,000	3,585,720		(1,414,280)	72 %	72 %				-
Total Capital Funding	**5,000,000**	**-**	**5,000,000**	**-**		**5,000,000**	**3,585,720**		**(1,414,280)**	**72 %**	**72 %**				**-**