



GERT SIBANDE DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended June 30, 2014

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

General Information

Legal form of entity	Municipality
Mayoral committee	Maboa - Boltman NF Maboea SA Magagula MP Nkosi JM Nyembe FM Zuma NG
Executive Mayor	Nhlabathi MPP
Councillors	Baker TE Bongwe JS Brussow JLI De Ville JR De Waal MAC Dhlamini ES Greyling GS Joubert LK Labuschagne PJ Madonsela EM Mahlangu BD Mahlangu H Makola MB Malatsi PV Manzi NE Masango SA Masina LL Maseko BP Mkhwanazi LVA Mkhwanazi ZG Mlotshwa TL Mnisi TA Morajane CM Motha TW Motloung KW Mtshali BH Ndinisa BJ Nhlapo NS Nkosi AD Nkosi SS Nkosi VL Puwani BS Shiba BP Shongwe MD Thwala DM Tсотetsi MP Vilakazi RG Weber WL Zacarias SM Zwane L Zwane TE
Grading of local authority	5
Chief Finance Officer (CFO)	Singh AY
Accounting Officer	Habile CA
Registered office	Cnr Joubert & Oosthuizen Street Ermelo Mpumalanga 2351

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

General Information

Business address

Cnr Joubert & Oosthuizen Street
Ermelo
Mpumalanga
2351

Postal address

PO Box 1748
Ermelo
Mpumalanga
2350

Bankers

ABSA Bank

Auditors

Auditor General Of South Africa

Attorneys

Fluxman Attorneys
Thwala attorneys

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
VAT	Value Added Tax

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 6 to 66, which have been prepared on the going concern basis, were approved by the accounting officer on August 29, 2014 and were signed on its behalf by:

Habile CA

Ermelo

Friday, August 29, 2014

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Statement of Financial Position as at June 30, 2014

Figures in Rand	Note(s)	2014	2013
Assets			
Current Assets			
Cash and cash equivalents	3	13,883,015	60,170,523
Other receivables	4	617,073	310,802
Receivables from exchange transactions	5	82,115	116,763
Increase in receivables from non - exchange transactions	6	13,992,879	3,392,928
VAT receivable	7	5,975,264	7,607,181
		34,550,346	71,598,197
Non-Current Assets			
Property, plant and equipment	8	331,869,737	331,313,278
Intangible assets	9	401,501	256,571
Heritage assets	10	154,250	154,250
Investment in Municipal Entities	11	24,478,979	25,200,752
		356,904,467	356,924,851
Non-current assets held for sale	12	30,700,000	32,530,000
Total Assets		422,154,813	461,053,048
Liabilities			
Current Liabilities			
Financial liabilities	13	7,844,506	7,245,671
Finance lease obligation	14	6,807,754	5,950,033
Increase / (decrease) in payables from exchange transactions	15	65,524,642	55,790,951
Increase in unspent conditional grants and receipts	16	1,198,650	-
		81,375,552	68,986,655
Non-Current Liabilities			
Financial liabilities	13	4,104,383	11,948,889
Finance lease obligation	14	15,871,136	18,139,184
Retirement benefit obligation	17	287,000	278,000
Deferred gain on sale and leaseback	18	2,528,600	2,917,024
		22,791,119	33,283,097
Total Liabilities		104,166,671	102,269,752
Net Assets		317,988,142	358,783,296
Accumulated surplus		317,988,142	358,783,296

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Annual Financial Statements for the year ended June 30, 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Revenue from exchange transactions			
Income from municipal entities	22	6,063,798	4,716,141
Interest received - investment	23	3,357,126	4,677,772
Other income	24	2,418,375	4,662,525
Rental income	25	2,020,000	2,020,000
Total revenue from exchange transactions		13,859,299	16,076,438
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	21	292,700,637	273,824,341
Total revenue	20	306,559,936	289,900,779
Expenditure			
Contracted services	26	(1,953,386)	(1,941,892)
Depreciation	27	(17,790,219)	(16,731,178)
Employee related cost	28	(81,918,427)	(65,944,936)
Finance costs	29	(6,748,420)	(7,738,903)
General expenses	30	(30,306,726)	(26,350,628)
Grants and subsidies paid	31	(195,014,619)	(119,791,815)
Impairment loss	32	(274,022)	(7,651,768)
Remuneration of councillors	33	(9,974,337)	(9,379,877)
Repairs and maintenance	34	(3,352,118)	(2,281,065)
Total expenditure		(347,332,274)	(257,812,062)
Operating (deficit) surplus		(40,772,338)	32,088,717
Loss on disposal of assets		(22,821)	(273,395)
(Deficit)/surplus for the year		(40,795,159)	31,815,322

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Annual Financial Statements for the year ended June 30, 2014

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at July 01, 2012	326,967,974	326,967,974
Changes in net assets		
Surplus for the year	31,815,322	31,815,322
Total changes	31,815,322	31,815,322
Balance at July 01, 2013	358,783,301	358,783,301
Changes in net assets		
Surplus for the year	(40,795,159)	(40,795,159)
Total changes	(40,795,159)	(40,795,159)
Balance at June 30, 2014	317,988,142	317,988,142

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Annual Financial Statements for the year ended June 30, 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Grants		281,826,664	265,879,111
Interest income		3,357,126	4,677,772
Other receipts		7,900,292	7,082,442
Income from municipal entities		6,063,978	4,716,141
		<u>299,148,060</u>	<u>282,355,466</u>
Payments			
Employee costs		(91,883,764)	(75,321,307)
Suppliers		(217,706,848)	(154,548,202)
Finance costs		(6,748,420)	(7,738,903)
Other payments		(1,953,386)	(1,941,892)
		<u>(318,292,418)</u>	<u>(239,550,304)</u>
Net cash flows from operating activities	36	(19,144,358)	42,805,162
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(18,203,887)	(19,927,039)
Proceeds from sale of property, plant and equipment	8	(2)	362,124
Purchase of other intangible assets	9	(310,339)	-
Purchase of other receivables		(306,271)	2,402,588
Movement in investments in municipal entities		721,771	7,850,929
		<u>(18,098,728)</u>	<u>(9,311,398)</u>
Net cash flows from investing activities		(18,098,728)	(9,311,398)
Cash flows from financing activities			
(Decrease)/increase in long term loans		(7,245,671)	(6,677,084)
Movement in deferred gain on sale and leaseback		(388,424)	363,375
Finance lease payments		(1,410,327)	(451,690)
		<u>(9,044,422)</u>	<u>(6,765,399)</u>
Net cash flows from financing activities		(9,044,422)	(6,765,399)
Net increase/(decrease) in cash and cash equivalents		(46,287,508)	26,728,365
Cash and cash equivalents at the beginning of the year		60,170,523	33,442,158
Cash and cash equivalents at the end of the year	3	13,883,015	60,170,523

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Annual Financial Statements for the year ended June 30, 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental income	-	1,346,660	1,346,660	2,020,000	673,340	
Income from municipal entities	-	20	20	6,063,798	6,063,778	
Other income	2,340,480	(105,880)	2,234,600	2,418,375	183,775	
Interest received - investment	2,900,000	900,000	3,800,000	3,357,126	(442,874)	
Total revenue from exchange transactions	5,240,480	2,140,800	7,381,280	13,859,299	6,478,019	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	269,395,780	25,552,535	294,948,315	292,700,637	(2,247,678)	
Total revenue	274,636,260	27,693,335	302,329,595	306,559,936	4,230,341	
Expenditure						
Personnel	(109,407,400)	15,104,678	(94,302,722)	(81,918,427)	12,384,295	
Remuneration of councillors	(12,088,690)	593,410	(11,495,280)	(9,974,337)	1,520,943	
Depreciation and amortisation	(14,870,080)	(3,065,706)	(17,935,786)	(17,790,219)	145,567	
Impairment loss/ Reversal of impairments	-	-	-	(274,022)	(274,022)	
Finance costs	(2,000,000)	491,900	(1,508,100)	(6,748,420)	(5,240,320)	
Repairs and maintenance	(1,962,400)	(2,323,820)	(4,286,220)	(3,352,118)	934,102	
Contracted Services	(2,346,400)	392,300	(1,954,100)	(1,953,386)	714	
Grants and subsidies paid	(261,244,399)	34,797,465	(226,446,934)	(195,014,619)	31,432,315	
General Expenses	(27,268,521)	(4,214,479)	(31,483,000)	(30,306,726)	1,176,274	
Total expenditure	(431,187,890)	41,775,748	(389,412,142)	(347,332,274)	42,079,868	
Operating deficit	(156,551,630)	69,469,083	(87,082,547)	(40,772,338)	46,310,209	
Loss on disposal of assets and liabilities	-	(23,000)	(23,000)	(22,821)	179	
Deficit before taxation	(156,551,630)	69,446,083	(87,105,547)	(40,795,159)	46,310,388	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(156,551,630)	69,446,083	(87,105,547)	(40,795,159)	46,310,388	

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Annual Financial Statements for the year ended June 30, 2014

Appropriation Statement

Figures in Rand

	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	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Investment revenue	2,900,000	900,000	3,800,000	-	-	3,800,000	3,357,126	-	(442,874)	88 %	116 %
Transfers recognised - operational	336,245,780	(41,297,465)	294,948,315	-	-	294,948,315	292,700,637	-	(2,247,678)	99 %	87 %
Other own revenue	2,340,480	1,240,800	3,581,280	-	-	3,581,280	10,502,173	-	6,920,893	293 %	449 %
Total revenue (excluding capital transfers and contributions)	341,486,260	(39,156,665)	302,329,595	-	-	302,329,595	306,559,936	-	4,230,341	101 %	90 %
Employee costs	(109,407,400)	15,104,678	(94,302,722)	-	-	(94,302,722)	(81,918,427)	-	12,384,295	87 %	75 %
Remuneration of councillors	(12,088,690)	593,410	(11,495,280)	-	-	(11,495,280)	(9,974,337)	-	1,520,943	87 %	83 %
Depreciation and asset impairment	(14,870,080)	(3,065,706)	(17,935,786)	-	-	(17,935,786)	(17,790,219)	-	145,567	99 %	120 %
Finance charges	(2,000,000)	491,900	(1,508,100)	-	-	(1,508,100)	(6,748,420)	-	(5,240,320)	447 %	337 %
Transfers and grants	(260,625,637)	34,178,703	(226,446,934)	-	-	(226,446,934)	(195,014,619)	-	31,432,315	86 %	75 %
Other expenditure	(32,196,083)	(5,550,237)	(37,746,320)	-	-	(37,746,320)	(35,909,073)	-	1,837,247	95 %	112 %
Total expenditure	(431,187,890)	41,752,748	(389,435,142)	-	-	(389,435,142)	(347,355,095)	-	42,080,047	89 %	81 %
Surplus/(Deficit)	(89,701,630)	2,596,083	(87,105,547)	-	-	(87,105,547)	(40,795,159)	-	46,310,388	47 %	45 %
Surplus/(Deficit) for the year	(89,701,630)	2,596,083	(87,105,547)	-	-	(87,105,547)	(40,795,159)	-	46,310,388	47 %	45 %

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

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

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

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

Impairment testing

The recoverable amounts or recoverable service amount 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.

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. At each reporting date an assessment should be undertaken to determine whether there is any indication that any items of Property, plant and equipment may be impaired by reviewing external and internal source or information which indicates that impairments may have occurred.

Provisions

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

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and other assets. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with 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, the municipality 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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 17 - Retirement benefit obligations.

Effective interest rate

The municipality used the government bond rate to discount future cashflows.

Allowance for doubtful debts

On receivables 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 receivables' 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 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 or fair value 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 at no cost or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary assets 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.

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 municipality 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.

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Annual Financial Statements for the year ended June 30, 2014

Accounting Policies

1.3 Property, plant and equipment (continued)

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. Work-in-progress is recognised by the municipality as expenses as incurred on a capital project. Work-in-progress is transferred to the related item of property, plant and equipment when it is technically complete. Work-in-progress is not depreciated.

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

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

The useful lives of items of property, plant and equipment have been by management by using industry norms and are shown below:

Item	Average useful life (in years)
Buildings (including airconditioning)	30
Building (fixture)	10
Furniture and fixtures	10
Infrastructure	
• Electrical network equipment	20
• Roads	30
IT Equipment	3 - 5
Land	30
Motor vehicles	
• Specialised vehicles	15
• Other	5
Office Equipment	5
Plant and Machinery	5 -10

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

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

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

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

Work-in-progress is recognised by the municipality as expenses as incurred on a capital project. Work-in-progress is transferred to the related item of property, plant and equipment when it is technically complete. Work-in-progress is not depreciated.

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.

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Annual Financial Statements for the year ended June 30, 2014

Accounting Policies

1.4 Intangible assets (continued)

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

Internally generated 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	5 years

1.5 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Where the municipality hold a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 10 - Heritage assets.

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1.5 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired at no cost, or at a nominal cost, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

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

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.6 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any costs directly attributable to the purchase of the controlled entity.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.7 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.

Classification

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

Class

Cash and cash equivalents
Trade and other receivables
Other receivables

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

Class

Other financial liabilities
Trade and other payables

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost

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1.7 Financial instruments (continued)

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

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1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

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 rate 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) impairment or uncollectability in the case of a financial asset.

Fair value measurement considerations

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

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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Accounting Policies

1.7 Financial instruments (continued)

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.8 Leases

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

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

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Accounting Policies

1.8 Leases (continued)

Finance leases - lessee

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

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

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

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

1.9 Inventories

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

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

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

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

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

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

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

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

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

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

1.10 Non-current assets held for sale and disposal groups

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

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

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

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Accounting Policies

1.10 Non-current assets held for sale and disposal groups (continued)

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

1.11 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.

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.

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.

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.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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.

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

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

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.12 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.

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.

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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.

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.

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.

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.

1.13 Accumulated surplus/deficit

The accumulated surplus/deficit represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit.

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1.14 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

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1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

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Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Accounting Policies

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

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Accounting Policies

1.15 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38 - Contingencies.

1.16 Revenue from exchange transactions

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

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

Measurement

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

1.17 Revenue from non-exchange transactions

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

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

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.

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.

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.

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.

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.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

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.

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.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Accounting Policies

1.18 Borrowing costs (continued)

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure 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.

1.23 Budget information

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

The approved budget covers the fiscal period from 01 July 2013 to 30 June 2014.

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

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 22 & 25.

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.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Accounting Policies

1.24 Related parties (continued)

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

1.25 Value Added Tax

The municipality accounts for value added taxation on the payment basis.

1.26 Offsetting

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

1.27 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments;
- where the expenditure has been approved and the contract has been awarded at the reporting date; and
- where disclosure is required by a specific standard of GRAP.

1.28 Grants in aid

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

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expects a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

1.29 Events after the reporting date

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand

2014

2013

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

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.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements. The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 1 April 2015..

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after April 01, 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

GERT SIBANDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

GERT SIBANDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 5 (Revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Allowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs

All amendments to be applied prospectively.

The effective date of the standard is for years beginning on or after April 01, 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 100 (Revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is

- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations.
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

The effective date of the standard is for years beginning on or after April 01, 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	7,600	7,600
Bank balances	13,875,415	60,162,923
	13,883,015	60,170,523

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2014	June 30, 2013	June 30, 2012
ABSA BANK - Current Account - 1053-971-462	3,299,056	1,791,106	1,292,249	13,610,838	59,903,943	33,183,128
ABSA BANK - Call Account - 4063-211-572	10,316,032	58,112,837	31,892,979	-	-	-
Nedbank BANK - Current Account - 1454-106-999	264,578	258,980	250,430	264,578	258,980	250,430
Total	13,879,666	60,162,923	33,435,658	13,875,416	60,162,923	33,433,558

4. Other receivables

Motor Loans

Senior staff were entitled to motor loans which attached interest at 8.5% per annum and which were repayable over a maximum period of 6 years. As from 1 July 2004 no new loans were approved in compliance with the MFMA. Two employees have since left the municipality. The municipality is in the process to recover the outstanding amount on the motor loans.

Study bursaries	523,783	205,124
Motor loans	35,290	47,678
Irregular expenditure	58,000	58,000
	617,073	310,802

5. Receivables from exchange transactions

Accrued interest	82,115	116,763
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Credit quality of receivables from exchange transactions

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

Receivables from exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2014, R 82 115 (2013: R 116 763) were past due but not impaired.

6. Increase in receivables from non - exchange transactions

Mpumalanga Province CoGTA	2,531,255	2,531,255
Other receivables	1,034,961	861,673
DWA	10,426,663	-
	13,992,879	3,392,928

Credit quality of Receivables from non-exchange transactions

The credit quality of trade and other receivables that are neither past nor 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 past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2014, R 13 992 879 (2013: R 3 392 928) were past due but not impaired.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
7. VAT receivable		
VAT	5,975,264	7,607,181

The Municipality is registered on the payment basis for VAT purposes.

8. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	360,000	-	360,000	360,000	-	360,000
Buildings	292,090,528	(29,043,038)	263,047,490	275,382,441	(19,954,319)	255,428,122
Plant and machinery	1,471,820	(581,353)	890,467	1,424,977	(436,079)	988,898
Furniture and fixtures	4,283,827	(1,509,169)	2,774,658	4,283,827	(1,099,356)	3,184,471
Motor vehicles	9,374,511	(5,605,301)	3,769,210	9,374,511	(4,443,102)	4,931,409
Office equipment	5,854,210	(3,501,224)	2,352,986	5,421,593	(2,409,722)	3,011,871
IT equipment	9,204,681	(6,110,439)	3,094,242	8,034,439	(5,322,653)	2,711,786
Infrastructure	27,007,008	(4,022,130)	22,984,878	27,007,008	(2,713,910)	24,293,098
Construction vehicles	10,400,000	(406,224)	9,993,776	-	-	-
Building fixtures	29,445,916	(9,064,928)	20,380,988	29,445,916	(6,118,916)	23,327,000
Specialised vehicles	4,101,870	(2,004,000)	2,097,870	4,101,870	(1,730,769)	2,371,101
Work in progress	123,172	-	123,172	10,705,522	-	10,705,522
Total	393,717,543	(61,847,806)	331,869,737	375,542,104	(44,228,826)	331,313,278

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	360,000	-	-	-	-	360,000
Buildings	255,428,122	6,002,365	-	10,705,722	(9,088,719)	263,047,490
Plant and machinery	988,898	46,843	-	-	(145,274)	890,467
Furniture and fixtures	3,184,471	-	-	-	(409,813)	2,774,658
Motor vehicles	4,931,409	-	-	-	(1,162,199)	3,769,210
Office equipment	3,011,871	432,617	-	-	(1,091,502)	2,352,986
IT equipment	2,711,786	1,198,890	(22,819)	-	(793,615)	3,094,242
Infrastructure	24,293,098	-	-	-	(1,308,220)	22,984,878
Construction Vehicles	-	10,400,000	-	-	(406,224)	9,993,776
Building fixtures	23,327,000	-	-	-	(2,946,012)	20,380,988
Specialised vehicles	2,371,101	-	-	-	(273,231)	2,097,870
Work in progress	10,705,522	123,172	-	(10,705,522)	-	123,172
	331,313,278	18,203,887	(22,819)	200	(17,624,809)	331,869,737

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Land	360,000	-	-	-	360,000
Buildings	259,396,408	4,956,308	-	(8,924,594)	255,428,122
Plant and machinery	1,109,708	19,989	-	(140,799)	988,898
Furniture and fixtures	3,538,206	53,150	-	(406,885)	3,184,471
Motor vehicles	4,682,619	1,963,206	(635,519)	(1,078,897)	4,931,409
Office equipment	2,892,822	1,135,613	-	(1,016,564)	3,011,871
IT equipment	1,363,763	1,734,136	-	(386,113)	2,711,786
Infrastructure	25,566,610	33,035	-	(1,306,547)	24,293,098
Building fixtures	25,817,707	414,325	-	(2,905,032)	23,327,000
Specialised vehicles	2,644,311	-	-	(273,210)	2,371,101
Work in progress	1,088,245	9,617,277	-	-	10,705,522
	328,460,399	19,927,039	(635,519)	(16,438,641)	331,313,278

Pledged as security

No assets have been pledged as security:

Assets subject to finance lease (Net carrying amount)

Office equipment	539,009	1,125,740
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Reconciliation of Work-in-Progress 2014

	Included within Other PPE	Total
Opening balance	10,705,521	10,705,521
Additions/capital expenditure	123,172	123,172
Transferred to completed items	(10,705,521)	(10,705,521)
	123,172	123,172

Reconciliation of Work-in-Progress 2013

	Included within Other PPE	Total
Opening balance	1,088,245	1,088,245
Additions/capital expenditure	9,617,276	9,617,276
	10,705,521	10,705,521

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

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	1,226,938	(825,437)	401,501	916,599	(660,028)	256,571

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

9. Intangible assets (continued)

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	256,571	310,339	(165,409)	401,501

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	549,108	(292,537)	256,571

Pledged as security

No intangible assets have been pledged as security.

10. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain and portraits	154,250	-	154,250	154,250	-	154,250

Reconciliation of heritage assets 2014

	Opening balance	Total
Mayoral chain and portraits	154,250	154,250

Reconciliation of heritage assets 2013

	Opening balance	Total
Mayoral chain and portraits	154,250	154,250

11. Investment in Municipal Entities

Controlled entities

Investment in Eastvaal Financing Partnership Gert Sibande District Municipality holds a 99% interest in this partnership. The investment in the partnership is carried at the cost of obtaining control of the partnership, less annual distribution of contributions.	18,169,562	18,443,584
Investment in Eastvaal Development Trust Gert Sibande District Municipality is the 100% beneficiary of the trust. The investment in the Eastvaal Development Trust is carried at fair value. The fair value of the trust is determined by reference to the net assets of the trust.	6,309,417	6,757,168
	24,478,979	25,200,752

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
12. Non-current assets held for sale		
Portion 1 of Erf 8295 Secunda, Ext 25, Mpumalanga and portion of Erf 8317 Secunda, Ext 25, Mpumalanga was valued at an amount of R30 700 000.		
This property was included in non current asset held for sale in 2013. The reason why it was not sold was a delay in the zoning process. Management is still committed to the sale of this asset.		
The disposal is expected to be completed by 11/30/2014.		
Non-current assets held for sale	30,700,000	32,530,000
13. Financial liabilities		
At amortised cost		
ABSA Bank loan	11,948,889	19,194,560
This loan is unsecured, bears interest at 8.22% p.a. and is repayable in bi-annual installments of R4,335,090.		
Non-current liabilities		
At amortised cost	4,104,383	11,948,889
Current liabilities		
At amortised cost	7,844,506	7,245,671
14. Finance lease obligation		
Minimum lease payments due		
- within one year	6,807,754	5,950,003
- in second to fifth year inclusive	21,071,974	25,685,621
	27,879,728	31,635,624
Less: future finance charges	(5,200,838)	(7,546,407)
Present value of minimum lease payments	22,678,890	24,089,217
Present value of minimum lease payments due		
- within one year	6,807,754	5,950,033
- in second to fifth year inclusive	15,871,136	18,139,184
	22,678,890	24,089,217
Non-current liabilities	15,871,136	18,139,184
Current liabilities	6,807,754	5,950,033
	22,678,890	24,089,217

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

The average lease term was 3 years and the average effective borrowing rate was 9% (2013: 9%).

Interest rates are linked to prime at the contract date. All leases have fixed repayment and include additional charges for contingent rent on a percentage of sale.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 8.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
15. Increase / (decrease) in payables from exchange transactions		
Accrued interest	150,694	233,427
Empuluzi project	-	204,011
Other creditors	107,763	9,556
Performance bonuses	621,615	462,459
Retentions	13,820,421	10,926,782
Staff bonuses	1,726,482	1,224,928
Staff leave pay	4,365,003	4,426,658
Trade payables	44,732,664	38,303,130
	65,524,642	55,790,951
16. Increase in unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Infrastructure skills development grant	198,650	-
Data cleansing grant	1,000,000	-
	1,198,650	-
Movement during the year		
Additions during the year	2,000,000	-
Income recognition during the year	(801,350)	-
	1,198,650	-

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 21 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

17. Retirement benefit obligations

Defined benefit plan

Post retirement medical aid plan

The post employment medical aid plan liability is valued on a generally accepted actuarial valuation method. The liability was calculated on a member-by-member basis, taking into account matters arising in respect of principal member and their spouses. Ages were calculated as age last birthday on 30 June 2014.

The Project Unit Credit Method was used as prescribed by GRAP 25 This method is based on the approximation that the post-retirement benefit is notionally build up over the employee's working life.

The actuarial valuation of PRMA liability involves the following:

The projection of future post-retirement medical contribution subsidy cashflow, taking into account probabilities of survival withdraw, ill-health retirement, and death in service. The medical contribution subsidies in respect of the audit dependants of employees. Increasing the projected subsidy cashflows in line with expected long term contribution escalation. Discounting these cashflows in order to express the post employment medical aid plan liability in current Rand terms.

The amount represents the municipality's liability for post-employment medical aid benefit for the sole remaining pensioner under the now defunctional plan. Current employees do not enjoy post-retirement medical aid benefits.

Employees of the municipality belong to the National Fund for Municipality Workers and the Municipal Gratuity Fund. These funds are defined contribution plans. The municipality has no legal or contractual obligation to pay further contributions. Contributions are recognised as an expense in the statement of financial performance in the year in which they become payable.

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

Carrying value

Opening balance	(278,000)	(274,496)
Payments made	37,000	31,288
Interest cost	(21,000)	(14,680)
Actuarial (gains)/losses	(25,000)	(20,112)
	(287,000)	(278,000)

18. Deferred gain on sale and leaseback

The property in Secunda was sold by the Municipality to the Eastvaal Financing Partnership. This property is being leased back by the municipality through a finance lease over 20 years. Every year the deferred profit is amortised as shown in the Statement of Financial Performance.

Deferred profit on sale and leaseback	2,528,600	2,917,024
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19. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At cost	Total
Cash and cash equivalents	13,883,015	13,883,015
Other receivables	617,073	617,073
Receivables from exchange transactions	82,115	82,115
Receivables from non-exchange transactions	13,992,879	13,992,879
	28,575,082	28,575,082

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
Financial instruments disclosure (continued)		
Financial liabilities		
	At cost	Total
Finance lease obligations	22,678,890	22,678,890
Other financial liabilities	11,948,889	11,948,889
Payables from exchange transactions	65,524,642	65,524,642
	100,152,421	100,152,421
2013		
Financial assets		
	At cost	Total
Cash and cash equivalents	60,170,523	60,170,523
Other receivables	310,801	310,801
Receivables from exchange transactions	116,763	116,763
Receivables from non-exchange transactions	3,392,928	3,392,928
	63,991,015	63,991,015
Financial liabilities		
	At cost	Total
Finance lease obligation	24,089,217	24,089,217
Other financial liabilities	19,194,560	19,194,560
Payables from exchange transactions	55,790,951	55,790,951
	99,074,728	99,074,728
20. Revenue		
Government grants & subsidies	292,700,637	273,824,341
Income from municipal entities	6,063,798	4,716,141
Interest received - investment	3,357,126	4,677,772
Other income	2,418,375	4,662,525
Rental income	2,020,000	2,020,000
	306,559,936	289,900,779
The amount included in revenue arising from exchanges of goods or services are as follows:		
Income from Municipal entities	6,063,798	4,716,141
Interest received - investment	3,357,126	4,677,772
Other income	2,418,375	4,662,525
Rental income	2,020,000	2,020,000
	13,859,299	16,076,438
The amount included in revenue arising from non-exchange transactions are as follows:		
Transfer revenue		
Government grants & subsidies	292,700,637	273,824,341

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
21. Government grants and subsidies		
Operating grants		
Equitable share	17,288,000	17,403,000
Revenue replacement grant	242,572,000	235,507,000
Financial management grant (FMG)	1,250,000	1,250,000
Municipal systems improvement grant (MSIG)	890,000	1,000,000
CBPWP / EPWP grant	1,000,000	1,000,000
Rural road asset management systems grant (RAMS)	1,822,000	-
Infrastructure skills development grant (ISDG)	801,350	-
	<u>265,623,350</u>	<u>256,160,000</u>
Capital grants		
Department of water affairs (DWA)	27,077,287	17,664,341
	<u>27,077,287</u>	<u>17,664,341</u>
	<u>292,700,637</u>	<u>273,824,341</u>

Equitable Share

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

Revenue replacement grant

Current-year receipts	242,572,000	235,507,000
Conditions met - transferred to revenue	(242,572,000)	(235,507,000)
	<u>-</u>	<u>-</u>

The purpose of the revenue replacement grant is to provide basic infrastructures within their areas, the revenue replacement grant is collected from employers being to help fund these infrastructures.

Finance management grant

Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)
	<u>-</u>	<u>-</u>

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Municipal systems improvement grant

Current-year receipts	890,000	1,000,000
Conditions met - transferred to revenue	(890,000)	(1,000,000)
	<u>-</u>	<u>-</u>

To assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal systems act and related legislation.

CBPWP/EPWP grant

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	<u>-</u>	<u>-</u>

To incentivise provincial department to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
21. Government grants and subsidies (continued)		
Data cleansing grant		
Current-year receipts	1,000,000	-
Conditions still to be met	(1,000,000)	-
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 16).		
To assist municipalities with the implementations of geographic information systems and related projects .		
Road asset management grant(RAMS)		
To assist rural district municipalities to set up rural roads asset management systems.		
Infrastructure skills development grant(ISDG)		
Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(801,350)	-
	<u>198,650</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 16).		
To strengthen capacity of local government, to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available.		
Rural roads asset management systems grant(RAMS)		
Current-year receipts	1,822,000	-
Conditions met - transferred to revenue	(1,822,000)	-
	<u>-</u>	<u>-</u>
To assist rural district municipalities to set up rural roads asset management systems.		
Department of water affairs(DWA)		
Current-year receipts	27,077,287	17,664,341
Conditions met - transferred to revenue	(27,077,287)	(17,664,341)
	<u>-</u>	<u>-</u>
To facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.		
22. Income from municipal entities		
Income from municipal entities	<u>6,063,798</u>	<u>4,716,141</u>
23. Investment revenue		
Interest revenue		
Bank	3,308,478	4,677,772
Interest charged on trade and other receivables	48,648	-
	<u>3,357,126</u>	<u>4,677,772</u>

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
24. Other income		
Car Wash	303,602	282,926
Donations received	63,170	50,939
LG Seta	177,982	309,110
Refund telephone	146,603	166,293
Laboratory income	996,474	1,026,347
Retention forfeited	128,309	1,955,537
Sundry	375,491	525,711
Tender deposits	226,744	345,662
	2,418,375	4,662,525
25. Rental income		
Rental income - third party	2,020,000	2,020,000
26. Contracted services		
Information Technology Services	1,350,894	807,218
Cleaning and maintenace	602,492	1,134,674
	1,953,386	1,941,892
27. Depreciation and amortisation		
Property, plant and equipment	17,790,219	16,731,178

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
28. Employee related costs		
Basic	46,757,740	40,716,701
Bonus	3,953,888	2,829,826
Medical aid - company contributions	2,814,016	2,065,887
UIF	332,294	259,836
Leave pay accrual charge	2,291,961	2,070,559
Group insurance	840,888	612,459
Pension fund	8,936,148	6,676,777
Bargaining council	14,917	8,707
Overtime payments	921,857	436,657
Car allowance	7,619,762	5,903,383
Housing benefits and allowances	317,605	228,915
Uniforms	240,134	203,235
	75,041,210	62,012,942
Remuneration of municipal manager - Habile CA		
Annual Remuneration	1,183,539	644,640
Car Allowance	240,000	156,042
Contributions to UIF, Medical and Pension Funds	161,745	134,763
	1,585,284	935,445
Remuneration of chief finance officer - Singh AY		
Annual Remuneration	883,026	681,344
Car Allowance	180,000	159,596
Performance Bonuses for 2012/13	52,599	-
Contributions to UIF, Medical and Pension Funds	13,785	11,462
	1,129,410	852,402
Municipal Infrastructure - Vilane SB		
Annual Remuneration	741,347	467,676
Car Allowance	185,600	136,800
Contributions to UIF, Medical and Pension Funds	164,455	101,617
	1,091,402	706,093
Planning services - Zikalala S		
Annual Remuneration	836,100	357,240
Car Allowance	96,000	48,000
Performance Bonuses	162,711	77,241
	1,094,811	482,481
Corporate services - Dlamini MS		
Annual Remuneration	627,389	270,153
Car Allowance	174,474	66,305
Contributions to UIF, Medical and Pension Funds	101,970	13,366
Leave communitation	-	114,268
	903,833	464,092
Community and social services - Kunene M		

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Figures in Rand	2014	2013
28. Employee related costs (continued)		
Annual Remuneration	836,217	376,448
Car Allowance	96,000	48,000
Contributions to UIF, Medical and Pension Funds	140,260	67,033
	1,072,477	491,481
Total employment cost		
Total employment cost	81,918,427	65,944,934
	81,918,427	65,944,934
29. Finance costs		
Interest on current liabilities	6,748,420	7,738,903
30. General expenses		
Advertising	387,428	687,149
Assets expensed	95,441	152,025
Auditors remuneration	3,797,720	3,458,882
Bank charges	140,313	111,488
Cleaning	296,873	309,447
Conferences and seminars	23,657	16,059
Consulting and professional fees	1,890,578	2,241,974
Entertainment	914,581	767,571
Flowers	4,170	3,483
Forums	-	3,000
IT expenses	296,918	-
Insurance	1,326,639	866,254
Lease rentals on operating lease	2,142,487	1,484,895
Municipal and other services	4,179,102	3,935,113
Placement fees	215,656	-
Postage and courier	11,755	9,089
Printing and stationery	427,077	702,696
Relocation cost	-	41,935
Royalties and license fees	1,171,015	1,223,604
Security (Guarding of municipal property)	2,232,732	2,186,438
Subscriptions and membership fees	861,223	695,053
Technical Support	834,575	568,526
Telephone and fax	2,532,761	2,318,589
Training	1,896,890	944,225
Travel - local	4,056,010	3,054,679
Workmen's compensation	571,125	568,454
	30,306,726	26,350,628
31. Grants and subsidies paid		
Other subsidies		
Grant paid to local municipalities	195,014,619	119,791,815
32. Impairment loss		
Impairments		
Investment in East Vaal Properties	274,022	7,651,768

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Figures in Rand	2014	2013
33. Remuneration of councillors		
Executive Major	845,255	794,599
Mayoral Committee Members	2,066,706	1,805,838
Speaker	680,378	648,013
Councillors	2,574,882	2,588,735
Mayoral committee contributions and other allowances	1,760,786	1,425,579
Councillors contributions and other allowances	2,046,330	2,117,113
	9,974,337	9,379,877

In-kind benefits

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

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

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

Executive Mayor	Remuneration	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Nhlabathi MPP	537,644	206,097	20,868	80,646	845,255
Total	537,644	206,097	20,868	80,646	845,255
Speaker	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Dhlamini ES	415,089	164,877	20,868	79,543	680,377
Total	415,089	164,877	20,868	79,543	680,377
Chief Whip	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Mnisi TA	391,545	85,874	20,868	72,172	570,459
Total	391,545	85,874	20,868	72,172	570,459
Mayoral Committee	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Maboa-Boltman NF	388,207	154,572	20,868	75,511	639,158
Maboe SA	403,233	154,572	20,868	60,485	639,158
Magagula MP	403,233	154,572	20,868	60,485	639,158
Nkosi M	388,207	154,572	20,868	75,511	639,158
Nyembe FM	388,207	154,572	20,868	75,511	639,158
Zuma NG	403,233	154,572	20,868	60,485	639,158
	2,374,320	927,432	125,208	407,988	3,834,948

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33. Remuneration of councillors (continued)

Councillors	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Baker TE	26,378	9,044	-	-	35,422
Bongwe JS	5,142	-	-	-	5,142
Brussow JLI	10,200	2,748	-	-	12,948
Deville JR	32,976	10,992	-	-	43,968
De Waal MAC	146,267	61,829	20,868	39,220	268,184
Greyling GS	32,976	10,992	-	-	43,968
Hlatshwayo B	-	3,319	-	-	3,319
Joubert LK	146,267	61,829	20,868	39,220	268,184
Labuschagne PJ	26,378	9,044	-	-	35,422
Madonsela EM	32,976	10,992	-	-	43,968
Mahlangu BD	27,132	9,045	-	-	36,177
Mahlangu H	146,267	61,829	20,868	39,220	268,184
Mahlobo MA	5,060	14,675	-	-	19,735
Makola MB	27,132	9,044	-	-	36,176
Malatsi PV	3,428	-	-	-	3,428
Manzi NE	27,132	9,044	-	-	36,176
Masango SA	27,132	9,044	-	-	36,176
Masina LL	4,285	-	-	-	4,285
Maseko BP	32,976	10,992	-	-	43,968
Mkhwanazi LVA	32,976	10,992	-	-	43,968
Mkhwanazi ZG	27,132	9,044	-	-	36,176
Mlotshwa TL	161,293	61,829	20,868	24,194	268,184
Moloi LE	2,362	-	-	-	2,362
Morajane CM	2,571	-	-	-	2,571
Motha TW	32,976	10,992	-	-	43,968
Motlounq KW	146,267	61,829	20,868	39,220	268,184
Mnisi SM	3,951	-	-	-	3,951
Mthethwa TB	773	-	-	-	773
Mtshali BH	3,387	-	-	-	3,387
Ndinisa BJ	27,132	9,044	-	-	36,176
Nhlapo JV	3,346	-	-	-	3,346
Nhlapo NS	5,142	-	-	-	5,142
Nkosi AD	32,976	10,992	-	-	43,968
Nkosi FL	2,362	-	-	-	2,362
Nkosi SS	73,033	30,914	10,434	19,034	133,415
Nkosi TM	2,448	-	-	-	2,448
Nkosi VL	32,976	10,992	-	-	43,968
Nkosi RA	6,692	13,870	-	-	20,562
Puwani BS	32,976	10,992	-	-	43,968
Shiba BS	4,285	-	-	-	4,285
Tshabalala AJ	3,908	-	-	-	3,908
Shongwe MD	246,889	94,641	20,868	37,033	399,431
Thwala DM	32,976	10,992	-	-	43,968
Tsotetsi MP	361,325	144,268	20,868	71,479	597,940
Vilakazi RG	32,976	10,992	-	-	43,968
Weber WL	148,810	61,829	20,868	36,677	268,184
Wilson RJA	19,236	6,412	-	-	25,648
Yende MT	6,733	9,279	-	-	16,012
Yende VG	-	2,090	-	-	2,090
Zacarias SM	32,976	10,992	-	-	43,968
Zwane LA	161,293	61,829	16,486	24,194	263,802
Zwane TE	32,976	10,999	-	-	43,975
Travel reimbursment to be taxed	-	32,410	-	-	32,410
	2,477,258	1,002,685	193,864	369,491	4,043,298

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Figures in Rand	2014	2013
34. Repairs and maintenance		
Building	577,856	187,111
Fuel and oil	2,147,200	1,195,236
Furniture and equipment	5,231	97,697
Office equipment	41,484	70,994
Vehicles	580,346	730,028
	3,352,117	2,281,066
35. Auditors' remuneration		
Fees	3,535,184	3,321,252
Consulting	2,201	2,075
Expenses	260,335	135,555
	3,797,720	3,458,882
36. Cash (used in) generated from operations		
(Deficit) surplus	(40,795,159)	31,815,322
Adjustments for:		
Depreciation and amortisation	17,790,219	16,731,178
Loss on sale of assets and liabilities	22,821	273,395
Impairment loss	274,022	7,651,768
Movements in operating lease assets and accruals	-	3,504
Movements in retirement benefit assets and liabilities	9,000	-
Movements in provisions	-	(951,916)
Movement in non-current asset held for sale	1,830,000	-
Changes in working capital:		
Increase in receivables from non - exchange transactions	(10,874,168)	(7,945,230)
Decrease in other receivables	34,648	1,001
Increase / (decrease) in payables from exchange transactions	9,733,692	(5,173,777)
Decrease in VAT receivable	1,631,917	399,917
Increase in unspent conditional grants and receipts	1,198,650	-
	(19,144,358)	42,805,162
37. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	36,503,356	109,292,324

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

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38. Contingencies

Litigation is in the process against the municipality relating to a dispute with an employee who alleges that the municipality has dismissed him unfairly and is seeking damages of R 1,657,915. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality will have to pay out the amount claimed of R1 657,915.

Inhlakanipho Consultants-Contractual dispute arising out of tender 11/2007: Upgrading of Empulzi Water Treatment Works Plaintiff is claiming R3 402 596. Inhlakanipho Consultants-Contractual appointed for R4 000 000 that included the planning and the construction of the project. Inhlakanipho then planning more than the appointed amount. The municipality then only paid for planning and the construction as the appointed letter. The R3 402 596 that Inhlakanipho is claiming is the pre planning of future construction work.

Termination of Eastvaal Financing Partnership

The termination of Eastvaal Financing Partnership that comprises of third trust namely, Eastvaal Development Trust, the Eastvaal Financing Trust and The NIB(Nedbank) Trust due to the Property in Secunda been sold. The deed of sale of the property is already in the deed office. The legal cost that will be incurred will not exceed R15 000 for the completion of the sale of the asset.

Litigation is in the process against the municipality relating to a dispute with an employee who alleges that the municipality has dismissed him unfairly and is seeking damages of R 450 000. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years

Litigation is in the process against the municipality relating to a dispute with Hlokoapitse for paying a subcontractor directly and not to the main contractor and they are seeking damages of R 127 006. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years

39. Related parties

Relationships

Accounting Officer

Controlled entities

Refer to accounting officer's report

Eastvaal Financing Partnership

Eastvaal Development Trust

Highveld printers

Close family member of key management

Members of key management

Refer note 28 & 29 for disclosure of related party transactions

Related party transactions

Purchases from (sales to) related parties

Highveld printers

108,564

4,670

Masibonisaneni Sonke Trading & JV Madonsela Trading (Project GSDM130/2013

450,000

-

Installation of boreholes)

Distribution from/(to) entities

Eastvaal Development Trust

6,123,110

5,278,542

Eastvaal Financing Partnership

313,529

363,375

40. Prior period errors

1. Debtors were incorrectly raised in 2012 for rental to be refunded by employees to the amount of R41 935

The correction of the error(s) results in adjustments as follows:

GERT SIBANDE DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
40. Prior period errors (continued)		
Statement of financial position		
Receivables from non-exchange transactions	-	(41,935)
Statement of Financial Performance		
General expenditure	-	41,935
41. Risk management		
Liquidity risk		
<p>The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.</p> <p>Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. Mangement ratio's are also prepared and monitored on a monthly basis.</p>		
Credit risk		
<p>Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.</p> <p>The risk relating to investments is minimised due to the nature of the municipal entities finance structure..</p>		
Market risk		
Interest rate risk		
<p>As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.</p>		
42. Irregular expenditure		
Opening balance	97,651,968	4,432,180
Add: Irregular Expenditure - current year	2,272,434	-
Less: Irregular expenditure - prior year	-	97,593,968
Less: Amounts recoverable	-	(4,374,180)
Less: Amounts noted by council	(99,866,402)	-
	58,000	97,651,968
43. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	829,719	663,480
Amount paid - current year	(829,719)	(663,480)
	-	-
Audit fees		
Current year subscription / fee	3,779,750	3,341,260
Amount paid - current year	(3,779,750)	(3,341,260)
	-	-

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Figures in Rand	2014	2013
43. Additional disclosure in terms of Municipal Finance Management Act (continued)		
PAYE and UIF		
Current year subscription / fee	15,282,895	11,870,465
Amount paid - current year	(15,282,895)	(11,870,465)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	21,405,819	14,654,734
Amount paid - current year	(21,405,819)	(14,654,734)
	-	-
VAT		
VAT receivable	5,975,264	7,607,181

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed as per Note 44.

44. Events after the reporting date

The District is in the final stages of the legal process to conclude on the sale of portion 1 of erf 8295 Secunda, extension 25 (The old district administration offices- Secunda). The sale proceeds amounts to approximately R30,7 Million.

GERT SIBANDE DISTRICT MUNICIPALITY

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45. Deviation from supply chain management regulations

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

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

Date	Department	Supplier	Amount	Deviation	Reason for Deviation
2013/04/07	Financial Services - 11975	Rehobot Construction T/A Tip Top Elek	35,294	3 quotations were obtained	This supplier met all functionality criteria relating to repair work hence their costs were marginally higher than remaining service providers
2013/09/07	Financial services - 12097	Kone Elevators South Africa	160,465	Not advertised on the municipal notice boards and website for 7 days	GSDM BMS System for the Lift was damaged by the thunder storm, This is the Sole provider for Schneider Electric system. Currently a Service Level Agreement is being finalised.
2013/07/09	IT Systems - 12065	Predicate Logistics Pty Ltd	7,752	Only 1 quotation obtained instead of 3	Training, maintenance and support is provided by the sole supplier of the product.
2013/07/11	Disaster Management - 12098	Fire & Emergency Vehicles Pty Ltd	31,920	Not advertised on the municipal notice boards and website for 7 days	Emergency vehicle repair and maintenance of sirens, emergency lights and pa system.
2013/07/23	Technical Support - 12532	Dehteq Pty Ltd	19,495	Only 1 quotation obtained instead of 3	This is a new kind of technology and therefore only dehteq that can provide the service for such consumables in South Africa.
2013/07/23	Technical Support - 12533	Dehteq Pty Ltd	19,435	Only 1 quotation obtained instead of 3	This is a new kind of technology and therefore only dehteq that can provide the service for such consumables in South Africa.

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Figures in Rand		2014	2013		
45. Deviation from supply chain management regulations (continued)					
2013/07/23	Technical Support-12534	Anatech Instruments Pty Ltd	14,945	Only 1 quotation obtained instead of 3	Currently a Service Level Agreement has been finalised, hence no further deviation will occur
2013/07/23	Technical Support - 12535	Merck Pty Ltd	4,754	Only 1 quotation obtained instead of 3	Currently a Service Level Agreement has been finalised, hence no further deviation will occur
2013/07/25	Finance - 12904	Pricewaterhouse coopers Inc.	32,192	Only 1 quotation obtained instead of 3	As a result of the cyber crime incident, council had to urgently procure the services of a specialist to avoid any further loss.
2013/07/29	Human Resources - 12967	Humman Communications	34,153	Only 1 quotation obtained instead of 3	Only service provider that can advertise in more than one newspaper simultaneously.
2013/07/30	Human Resources - 13051	LexisNexis Butterworth	5,990	Only 1 quotation obtained instead of 3	This is a labour law Conference organised annually
2013/06/08	Technical Support - 13154	Mhlathuze Water	30,054	Only 1 quotation obtained instead of 3	Schedule SANAS annual audit required by GSDM to audit the water quality system . Sole Provider.
2013/08/08	Disaster Management - 13165	DMISA	10,800	Only 1 quotation obtained instead of 3.	Conference held by the Sole Service Provider
2013/08/13	MSIG - 13227	Utility Information Systems	8,350	Only 1 quotation obtained instead of 3	Sole Service Provider that Supplies and commissions the Developed Software training.
2013/08/14	Technical Support - 13244	Metrohm SA (Pty) Ltd	2,942	Only 1 quotation obtained instead of 3	Currently a Service Level Agreement has been finalised, hence no further deviation will occur.
2013/08/15	Human Resources - 13312	Continuing Education at UP trust	10,800	Only 1 quotation obtained instead of 3	Sole Service Provider providing specific educational requirements.

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Figures in Rand		2014	2013		
45. Deviation from supply chain management regulations (continued)					
2013/08/15	Service Training - 13262	Intelligent Commerce	15,959	Only 1 quotation obtained instead of 3	The training is only offered by the identified service provider for the specific training.
2013/08/19	Technical Support - 13295	United Spectrometer	21,255	Only 1 quotation obtained instead of 3	Currently a Service Level Agreement has been finalised, hence no further deviation will occur.
2013/08/19	Technical Support - 13299	Labhouse Pty Ltd	2,622	Only 1 quotation obtained instead of 3	Currently a Service Level Agreement has been finalised, hence no further deviation will occur.
2013/08/20	Building - 13318	Van Dyk Electrical & Air - Conditioning	47,880	Only 1 quotation obtained instead of 3	Emergency as generator malfunctioned owing to lack off desiel and hence unit had to be replenished.
2013/08/22	Building - 13290	Van Dyk Electrical	4,104	Only 1 quotation obtained instead of 3	Emergency after the generator at mkhondo DMS could not stop due to mechanical failure.
2013/08/22	Building - 13331	Johannesburg Technical Security Installers	14,323	Only 1 quotation obtained instead of 3	Access card urgent required to accommodate the AG Team. The service provider is the sole supplier of this kind of service.
2013/08/29	Human resources - 13855	Elwazini Conferencing	9,119	Only 1 quotation obtained instead of 3	Sole Service Provider for the workshop
2013/09/02	Office of the Municipal Manager - 13949	Dhlamini Multimedia & Technology Solutions	65,151	Only 1 quotation obtained instead of 3	Urgent A3 pictures required by the Office of the Executive Mayor, hence only one quotation was obtained.
2013/09/10	Coporate Services - 14553	Tshwane University of Technology	7,860	Only 1 quotation obtained instead of 3	Sole Service Provider for bursary student
2013/09/10	Coporate Services - 14554	Tshwane University of Technology	2,660	Only 1 quotation obtained instead of 3	Sole Service Provider for bursary student

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Figures in Rand		2014	2013		
45. Deviation from supply chain management regulations (continued)					
2013/09/10	Technical Support - 14312	Merck (Pty) Ltd	7,697	Only 1 quotation obtained instead of 3	Sole Service Provider for bursary student
2013/09/10	Technical Support - 14311	Dehteq (Pty) Ltd	9,434	Only 1 quotation obtained instead of 3	Currently a Service Level Agreement has been finalised, hence no further deviation will occur.
2013/09/10	Planning Development & PRO -	IMESA Conference	4,500	Only 1 quotation obtained instead of 3	Scheduled IMESA Conference for a member serving at the EXCO& COUNCIL of IMESA/ Sole Service Provider.
2013/09/10	Service Training - 14507	Elwazini Conferencing	9,119	Only 1 quotation obtained instead of 3	The workshop is only offered by Elwazini Conferencing hence no any other quotations can be obtained.
2013/09/10	Technical Support - 14558	Links Conferencing	8,999	Only 1 quotation obtained instead of 3	This course is provided by links consulting and it is impractical to obtain other quotations.
2013/09/11	Technical Support - 14669	Dehteq (Pty) Ltd	26,885	Only 1 quotation obtained instead of 3	Currently a Service Level Agreement has been finalised, hence no further deviation will occur.
2013/09/16	Office of the Executive Mayor - 14798	Penta Travel T/A Flight Specials	13,959	Only 1 quotation obtained instead of 3	Outstanding balance of the hired vehicle for the Executive Mayor
2013/09/20	Human Resources - 14934	Humman Communications Pty Ltd	150,943	Not advertised on the municipal notice boards and website for 7 days	Urgent matter relating to vacancies to be filled in terms of mandate, hence advert had to be processed timeously
2013/09/27	Office of the Municipal Manager - 15477	Humman Communications Pty Ltd	13,329	Only 1 quotation obtained instead of 3	Urgent advert had to be obtained relating to the procurement of overalls and shirts for Phezukomkhono Programme.
2013/09/30	Building - 15500	Van Dyk Electrical & Air Conditioning	9,154	Only 1 quotation obtained instead of 3	Service of generator at Mkhondo Disaster Management Centre

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45. Deviation from supply chain management regulations (continued)					
2013/10/03	Building - 15542	Johannesburg Technical Installers	14,991	Only 1 quotation obtained instead of 3	Currently a Service Level Agreement has been finalised, hence no further deviation will occur.
2013/10/11	Technical Support - 16062	Control Chemicals	10,522	Only 1 quotation obtained instead of 3	Control Chemicals is the sole manufacturer and distributor of Chlor-Floc/Watermaker water purification technology.
2013/10/17	Human Resources - 16193	Humman Communications	4,369	Only 1 quotation obtained instead of 3	An Erratum relating to a previous advert had to be dispatched to same service provider.
2013/11/10	Building - 16096	Firetech Projects	21,539	Only 1 quotation obtained instead of 3	Payment due to lightning damage and related to repairs
2013/10/18	Building - 16203	Van Dyk Electrical	33,101	Only 1 quotation obtained instead of 3	Currently a Service Level Agreement has been finalised, hence no further deviation will occur.
2013/10/24	Insurance Claims - 16803	Kone Elevators South Africa	29,640	Only 1 quotation obtained instead of 3	Payment of unexpected lightning damages which affected the operation of GSDM Building Management System Access Control and Lifts.
2013/11/06	Operation & Maintenance Support - 17038	APS Engineering CC	77,121	Not advertised on the municipal notice boards and website for 7 days	There was no water in the area (Lekwa). This case was extremely urgent, hence procurement processes were deviated.
2016/11/06	Operation & Maintenance Support - 17039	APS Engineering CC	123,120	Not advertised on the municipal notice boards and website for 7 days	There was no water in the area (Lekwa). This case was extremely urgent, hence procurement processes were deviated.
2013/11/11	Operation & Maintenance Support - 17561	Ithuba Valves	14,698	Not advertised on the municipal notice boards and website for 7 days	There was no water in the area (Lekwa). This case was extremely urgent, hence procurement processes were deviated.

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Figures in Rand				2014	2013
45. Deviation from supply chain management regulations (continued)					
2013/11/11	Operation & Maintenance Support - 17559	APS Engineering CC	66,633	Not advertised on the municipal notice boards and website for 7 days	There was no water in the area (Lekwa). This case was extremely urgent, hence procurement processes were deviated.
2013/11/22	Technical Support 17722	Lasec SA	20,955	Only 1 quotation obtained instead of 3	The purite water system is due for it's annual service and since LasecSA is the sole supplier and it's the only service provider that can service the instrument.
2013/12/02	Operation & Maintenance Support - 20755	Klipaatdrift Transport T/A Jerzac Forestry Contractor	100,548	Only 1 quotation obtained instead of 3	Due to flooding complaints from the community about the non availability of water, the service needed to be rendered as a matter of emergency, therefore it was impractical to follow procurement processes.
2012/12/13	Building - 18914	Kone Elevators South Africa	15,105	Only 1 quotation obtained instead of 3	Appointed Service provider for maintenance of the lifts in GSDM as matter was urgent.
2012/12/13	Internal Audit - 18907	PriceWater House Coopers	119,928	Not advertised on the municipal notice boards and website for 7 days	On-going annual service is rendered by means of initial engagement letter : Assistance with Consolidation of the Eastvaal Financing Partnership - Financing Structure 2013.
2013/12/20	Technical Support 19670	Rauserv CC	13,260	Only 1 quotation obtained instead of 3	Rauserv is the only company responsible for the repairs of the autoclaves hence it is impractical to obtain other quotations.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand			2014	2013	
45. Deviation from supply chain management regulations (continued)					
2014/01/10	Technical support - 19992	Lasec SA (Pty) Ltd	13,775	Only 1 quotation obtained instead of 3	The required consumables are only available from the sole service provider (LasecSA) and very critical to have in the laboratory for the purification of water used for standards preparation.
2014/01/16	Technical support - 20119	Idexx Laboratories	29,267	Only 1 quotation obtained instead of 3	Idexx Laboratories is the sole supplier of the idexx product range in South Africa.
2014/01/16	Technical support-20118	Idexx Laboratories	11,045	Only 1 quotation obtained instead of 3	Quanti-Disc is the latest technology and Idexx is the only supplier in South Africa.
2014/01/28	Services - 20546	Kone Elevators SA	14,820	Only 1 quotation obtained instead of 3	The service provider is outside the guarantees of the service provider and this service installed is crucial safety purposes. The SLA is in process and should be finalised in due course.
2014/01/30	Technical support-20658	Anatech Instruments (Pty) Ltd	4,700	Only 1 quotation obtained instead of 3	Currently a Service Level Agreement has been finalised, hence no further deviation will occur.
2014/01/30	Technical support - 20691	Nkonke Trading 1000cc t/a Afrilab	12,500	Only 1 quotation obtained instead of 3	Currently a Service Level Agreement has been finalised, hence no further deviation will occur.
2014/01/30	Operation & Maintenance Support - 20755	Ithuba Valves	188,873	Not advertised on the municipal notice boards and website for 7 days	There was no water in the area (Lekwa). This case was extremely urgent, hence procurement processes were deviated.
2014/01/30	Operation & Maintenance Support - 20756	Ithuba Valves	62,958	Not advertised on the municipal notice boards and website for 7 days	There was no water in the area (Lekwa). This case was extremely urgent, hence procurement processes were deviated.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand		2014	2013		
45. Deviation from supply chain management regulations (continued)					
2014/01/30	Human Settlement - 20759	Andre Vermeulen Professional Engineers	2,855	Only 1 quotation obtained instead of 3	Urgent inspection had to be undertaken for the preparation of former President Nelson Mandela's memorial service.
2014/02/19	Technical Support - 21488	National Laboratory Association	15,390	Only 1 quotation obtained instead of 3	NLA is the only accredited service provider for microbiology, However Currently a Service Level Agreement has been finalised, hence no further deviation will occur.
2014/03/10	Technical Support - 21945	WISA	7,300	Only 1 quotation obtained instead of 3	Sole provider where our GSDM Water Quality Lab Manager attends her Conference to improve on developments for current exposure to current trends.
2014/04/11	Traditional affairs/Projects - 23960	Mpsikazi Traditional Council	46,000	Not advertised on the municipal notice boards and website for 7 days	Urgent payment needed for the mayoral imbizo which was scheduled to take place on the 12/04/2014, Hence there was not enough time to advertise for 7 days.
2014/04/29	Municipal Infrastructure - 24438	Klipplaatdrift Transport Amersfoort	196,992	Not advertised on the municipal notice boards and website for 7 days	There was no water in the area (Lekwa). This case was extremely urgent, hence procurement processes were deviated.
2014/04/29	Office of the Executive Mayor - 24447	Penta Travel	49,835	Only 1 quotation obtained instead of 3	Urgent service required, the vehicle of the Executive Mayor was involved in an accident and in for repairs, hence it was impractical to follow SCM procedures.
2014/05/30	Building - 25661	Leon Venter Architects	30,780	Not advertised on the municipal notice boards and website for 7 days	Specialised professional services rendered for site related issues, park closure, consolidation and permitted land use certificate.

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Annual Financial Statements for the year ended June 30, 2014

Notes to the Annual Financial Statements

Figures in Rand				2014	2013
45. Deviation from supply chain management regulations (continued)					
2014/06/17	Building - 26405	Reed & Partners	38,804	Not advertised on the municipal notice boards and website for 7 days.	Continuation phase for the service provider to provide GSDM with the professional fees.
2014/06/17	Office of the Executive Mayor -26368	De Wit Motors	6,717	Only 1 quotation obtained instead of 3	Repairs had to be undertaken at the agency where the vehicle was purchased
			<u>2,272,434</u>		

GERT SIBANDE DISTRICT MUNICIPALITY
Appendix A

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at Sunday, June 30, 2013	Received during the period	Redeemed written off during the period	Balance at Monday, June 30, 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Lease liability							
Eastvaal financing Partnership		22,909,979	-	820,374	22,089,605	-	-
Nashua Highveld		1,179,238	-	589,954	589,284	539,010	-
		24,089,217	-	1,410,328	22,678,889	539,010	-
Annuity loans							
ABSA bank		19,194,560	-	7,245,671	11,948,889	-	-
		19,194,560	-	7,245,671	11,948,889	-	-
Total external loans							
Lease liability		24,089,217	-	1,410,328	22,678,889	539,010	-
Annuity loans		19,194,560	-	7,245,671	11,948,889	-	-
		43,283,777	-	8,655,999	34,627,778	539,010	-

GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2014
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Land (Separate for AFS purposes)	360,000	-	-	-	-	-	360,000	-	-	-	-	-	-	360,000
Building fixtures	29,445,916	-	-	-	-	-	29,445,916	(6,118,916)	-	-	(2,946,012)	-	(9,064,928)	20,380,988
Buildings (Separate for AFS purposes)	275,382,441	16,708,087	-	-	-	-	292,090,528	(19,954,319)	-	-	(9,088,719)	-	(29,043,038)	263,047,490
	305,188,357	16,708,087	-	-	-	-	321,896,444	(26,073,235)	-	-	(12,034,731)	-	(38,107,966)	283,788,478
Infrastructure														
Roads	3,448,607	-	-	-	-	-	3,448,607	(131,088)	-	-	(130,735)	-	(261,823)	3,186,784
Electrical network	23,558,401	-	-	-	-	-	23,558,401	(2,582,823)	-	-	(1,177,485)	-	(3,760,308)	19,798,093
	27,007,008	-	-	-	-	-	27,007,008	(2,713,911)	-	-	(1,308,220)	-	(4,022,131)	22,984,877
Community Assets														

GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY
Appendix B

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
Heritage assets														
Mayoral chain and portraits	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Specialised vehicles														
Emergency vvhicles	4,101,870	-	-	-	-	-	4,101,870	(1,730,769)	-	-	(273,231)	-	(2,004,000)	2,097,870
	4,101,870	-	-	-	-	-	4,101,870	(1,730,769)	-	-	(273,231)	-	(2,004,000)	2,097,870
Other assets														
General vehicles	9,374,511	-	-	-	-	-	9,374,511	(4,443,102)	-	-	(1,162,200)	-	(5,605,302)	3,769,209
Plant & equipment	1,424,977	46,843	-	-	-	-	1,471,820	(436,079)	-	-	(145,274)	-	(581,353)	890,467
Computer Equipment	8,034,439	1,198,891	(28,649)	-	-	-	9,204,681	(5,322,653)	5,828	-	(793,615)	-	(6,110,440)	3,094,241
Furniture & Fittings	4,283,827	-	-	-	-	-	4,283,827	(1,099,356)	-	-	(409,813)	-	(1,509,169)	2,774,658
Office Equipment	3,660,195	432,617	-	-	-	-	4,092,812	(1,774,064)	-	-	(504,772)	-	(2,278,836)	1,813,976
Office Equipment - Leased	1,761,398	-	-	-	-	-	1,761,398	(635,658)	-	-	(586,730)	-	(1,222,388)	539,010
Work in progress	10,705,521	123,172	-	(10,705,521)	-	-	123,172	-	-	-	-	-	-	123,172
Construction vehicles	-	10,400,000	-	-	-	-	10,400,000	-	-	-	(406,224)	-	(406,224)	9,993,776
Non current asset held for sale	32,794,949	-	(1,830,000)	-	-	-	30,964,949	(264,949)	-	-	-	-	(264,949)	30,700,000
	72,039,817	12,201,523	(1,858,649)	(10,705,521)	-	-	71,677,170	(13,975,861)	5,828	-	(4,008,628)	-	(17,978,661)	53,698,509

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Appendix B

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
Total property plant and equipment														
Land and buildings	305,188,357	16,708,087	-	-	-	-	321,896,444	(26,073,235)	-	-	(12,034,731)	-	(38,107,966)	283,788,478
Infrastructure	27,007,008	-	-	-	-	-	27,007,008	(2,713,911)	-	-	(1,308,220)	-	(4,022,131)	22,984,877
Heritage assets	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Specialised vehicles	4,101,870	-	-	-	-	-	4,101,870	(1,730,769)	-	-	(273,231)	-	(2,004,000)	2,097,870
Other assets	72,039,817	12,201,523	(1,858,649)	(10,705,521)	-	-	71,677,170	(13,975,861)	5,828	-	(4,008,628)	-	(17,978,661)	53,698,509
	408,491,302	28,909,610	(1,858,649)	(10,705,521)	-	-	424,836,742	(44,493,776)	5,828	-	(17,624,810)	-	(62,112,758)	362,723,984
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	916,599	310,339	-	-	-	-	1,226,938	(660,028)	-	-	(165,409)	-	(825,437)	401,501
	916,599	310,339	-	-	-	-	1,226,938	(660,028)	-	-	(165,409)	-	(825,437)	401,501
Investment properties														
Total														
Land and buildings	305,188,357	16,708,087	-	-	-	-	321,896,444	(26,073,235)	-	-	(12,034,731)	-	(38,107,966)	283,788,478
Infrastructure	27,007,008	-	-	-	-	-	27,007,008	(2,713,911)	-	-	(1,308,220)	-	(4,022,131)	22,984,877
Heritage assets	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Specialised vehicles	4,101,870	-	-	-	-	-	4,101,870	(1,730,769)	-	-	(273,231)	-	(2,004,000)	2,097,870
Other assets	72,039,817	12,201,523	(1,858,649)	(10,705,521)	-	-	71,677,170	(13,975,861)	5,828	-	(4,008,628)	-	(17,978,661)	53,698,509
Intangible assets	916,599	310,339	-	-	-	-	1,226,938	(660,028)	-	-	(165,409)	-	(825,437)	401,501
	409,407,901	29,219,949	(1,858,649)	(10,705,521)	-	-	426,063,680	(45,153,804)	5,828	-	(17,790,219)	-	(62,938,195)	363,125,485

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Appendix B

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	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
Land and buildings														
Land	360,000	-	-	-	-	-	360,000	-	-	-	-	-	-	360,000
Building Fixtures	29,031,591	414,325	-	-	-	-	29,445,916	(3,213,884)	-	-	(2,905,033)	-	(6,118,917)	23,326,999
Buildings	270,426,134	4,956,308	-	-	-	-	275,382,442	(11,029,726)	-	-	(8,924,593)	-	(19,954,319)	255,428,123
	299,817,725	5,370,633	-	-	-	-	305,188,358	(14,243,610)	-	-	(11,829,626)	-	(26,073,236)	279,115,122
Infrastructure														
Roads, Pavements & Bridges	3,448,607	-	-	-	-	-	3,448,607	(357)	-	(130,731)	-	-	(131,088)	3,317,519
Electrical Network	23,525,366	33,035	-	-	-	-	23,558,401	(1,407,006)	-	(1,175,816)	-	-	(2,582,822)	20,975,579
	26,973,973	33,035	-	-	-	-	27,007,008	(1,407,363)	-	(1,306,547)	-	-	(2,713,910)	24,293,098

GERT SIBANDE DISTRICT MUNICIPALITY
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Appendix B

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	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
Heritage assets														
Mayoral chain and portraits	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Other assets														
General vehicles	8,312,978	1,963,206	(901,674)	-	-	-	9,374,510	(3,593,837)	266,154	-	(1,115,419)	-	(4,443,102)	4,931,408
Plant & equipment	1,404,988	19,989	-	-	-	-	1,424,977	(295,280)	-	-	(140,800)	-	(436,080)	988,897
Computer Equipment	7,216,902	1,734,136	-	-	-	-	8,951,038	(5,234,840)	-	-	(747,841)	-	(5,982,681)	2,968,357
Furniture & Fittings	4,230,677	53,150	-	-	-	-	4,283,827	(688,193)	-	-	(411,163)	-	(1,099,356)	3,184,471
Office Equipment	2,524,581	1,135,616	-	-	-	-	3,660,197	(1,338,234)	-	-	(435,830)	-	(1,774,064)	1,886,133
Office Equipment - Leased	1,761,398	-	-	-	-	-	1,761,398	(48,928)	-	-	(586,731)	-	(635,659)	1,125,739
Construction Vehicles	4,101,870	-	-	-	-	-	4,101,870	(1,457,559)	-	-	(273,210)	-	(1,730,769)	2,371,101
Work in progress	1,088,245	9,617,276	-	-	-	-	10,705,521	-	-	-	-	-	-	10,705,521
Non current assets held for sale	14,797,388	-	-	-	-	-	14,797,388	(4,843,290)	-	-	-	-	(4,843,290)	9,954,098
	45,439,027	14,523,373	(901,674)	-	-	-	59,060,726	(17,500,161)	266,154	-	(3,710,994)	-	(20,945,001)	38,115,725

GERT SIBANDE DISTRICT MUNICIPALITY
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Appendix B

Analysis of property, plant and equipment as at 30 June 2013
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	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
Total property plant and equipment														
Land and buildings	299,817,725	5,370,633	-	-	-	-	305,188,358	(14,243,610)	-	-	(11,829,626)	-	(26,073,236)	279,115,122
Infrastructure	26,973,973	33,035	-	-	-	-	27,007,008	(1,407,363)	-	(1,306,547)	-	-	(2,713,910)	24,293,098
Heritage assets	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Other assets	45,439,027	14,523,373	(901,674)	-	-	-	59,060,726	(17,500,161)	266,154	-	(3,710,994)	-	(20,945,001)	38,115,725
	372,384,975	19,927,041	(901,674)	-	-	-	391,410,342	(33,151,134)	266,154	(1,306,547)	(15,540,620)	-	(49,732,147)	341,678,195
Total														
Land and buildings	299,817,725	5,370,633	-	-	-	-	305,188,358	(14,243,610)	-	-	(11,829,626)	-	(26,073,236)	279,115,122
Infrastructure	26,973,973	33,035	-	-	-	-	27,007,008	(1,407,363)	-	(1,306,547)	-	-	(2,713,910)	24,293,098
Heritage assets	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Other assets	45,439,027	14,523,373	(901,674)	-	-	-	59,060,726	(17,500,161)	266,154	-	(3,710,994)	-	(20,945,001)	38,115,725
	372,384,975	19,927,041	(901,674)	-	-	-	391,410,342	(33,151,134)	266,154	(1,306,547)	(15,540,620)	-	(49,732,147)	341,678,195

GERT SIBANDE DISTRICT MUNICIPALITY
Appendix D

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

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
72,839	20,022,031	(19,949,192)	Executive & Council/Mayor and Council	6,830	18,041,553	(18,034,723)
270,028,127	89,439,423	180,588,704	Finance & Admin/Finance	274,729,234	98,811,158	175,918,076
19,791,792	141,271,888	(121,480,096)	Planning and Development/Economic Development/Plan	31,805,671	220,955,988	(189,150,317)
8,020	7,352,114	(7,344,094)	Health/Clinics	18,203	9,546,391	(9,528,188)
289,900,778	258,085,456	31,815,322		306,559,938	347,355,090	(40,795,152)
Municipal Owned Entities Other charges						
289,900,778	258,085,456	31,815,322	Municipality	306,559,938	347,355,090	(40,795,152)
289,900,778	258,085,456	31,815,322	Total	306,559,938	347,355,090	(40,795,152)

GERT SIBANDE DISTRICT MUNICIPALITY
Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014

	Forecast # 2 2014 Act. Bal. Rand	Forecast # 2 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Rental income	2,020,000	1,346,660	673,340	50.0	The sale of the offices in Secunda was not finalized as planned
Other income 1	6,063,798	20	6,063,778	890.0	Yearly adjusting entries for the entity
Other income - (rollup)	2,418,375	2,234,620	183,755	8.2	
Government grants	292,700,637	294,948,315	(2,247,678)	(0.8)	
Interest received - investment	3,357,126	3,800,000	(442,874)	(11.7)	Less fund were available to invest
	306,559,936	302,329,615	4,230,321	1.4	
Expenses					
Personnel	(81,918,427)	(94,302,722)	12,384,295	(13.1)	Several vacant positions was not filled
Remuneration of councillors	(9,974,337)	(11,495,280)	1,520,943	(13.2)	One Mayoral committee members not appointed
Depreciation	(17,790,219)	(17,935,786)	145,567	(0.8)	
Impairments	(274,022)	(1)	(274,021)	100.0	No provision for impairment on entity
Finance costs	(6,748,420)	(1,508,100)	(5,240,320)	347.5	No provision for finance change for the entity
Repairs and maintenance - General	(3,352,118)	(4,286,220)	934,102	(21.8)	Graders only start working late in the year
Contracted Services	(1,953,386)	(1,954,100)	714	-	
Grants and subsidies paid	(195,014,619)	(226,446,934)	31,432,315	(13.9)	several projects implemented late
General Expenses	(30,306,726)	(31,483,000)	1,176,274	(3.7)	
	(347,332,274)	(389,412,143)	42,079,869	(10.8)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(22,821)	(23,000)	179	(0.8)	
	(22,821)	(23,000)	179	(0.8)	
Net surplus/ (deficit) for the year					
	(40,795,159)	(87,105,528)	46,310,369	(53.2)	

GERT SIBANDE DISTRICT MUNICIPALITY
Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June
2014

	Additions	Revised Budget	Variance	Variance	Explanation of significant
	Rand	Rand	Rand	nce	variances from budget
				%	
Municipality					
Executive & Council/Mayor and Council	6,125,737	9,100,300	2,974,563	33	Qualifying service providers could not be found to construct Disasters Centres
Finance & Admin/Finance	12,388,691	17,000,000	4,611,309	27	Procurement of vehicles and lab equipment done late in the year
	18,514,428	26,100,300	7,585,872	29	

Municipal Owned Entities
Other charges

GERT SIBANDE DISTRICT MUNICIPALITY

Appendix F

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

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun			
Equitable Share	5,763,000	5,763,000	5,762,000	-	5,763,000	5,763,000	5,762,000	-	N/A	Yes	N/A
MSIG Grant	890,000	-	-	-	375,722	274,532	149,439	90,307	N/A	Yes	N/A
FMG Grant	1,250,000	-	-	-	296,607	256,683	302,775	393,935	N/A	Yes	N/A
Revenue Replacement Grant	102,512,000	80,857,000	59,203,000	-	51,826,166	78,670,728	49,060,509	63,014,597	N/A	Yes	N/A
EPWP/CBPWP	400,000	300,000	300,000	-	359,562	312,800	272,177	55,461	N/A	Yes	N/A
Rural Road Grant	1,598,246	223,754	-	-	-	-	34,296	1,787,704	N/A	Yes	N/A
Data Cleansing Grant	1,000,000	-	-	-	-	-	-	-	N/A	Yes	N/A
Infrastructure Skills Development Grant	1,000,000	-	-	-	-	-	-	-	N/A	Yes	N/A
DWA	439,646	16,210,978	-	-	-	439,646	19,184,729	7,452,912	N/A	Yes	N/A
	114,852,892	103,354,732	65,265,000	-	58,621,057	85,717,389	74,765,925	72,794,916			