

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

(DC 45)

ANNUAL FINANCIAL STATEMENT



FOR THE YEAR ENDED 30 JUNE 2014



JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

General Information

Legal form of entity	South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act (Act No. 117 of 1998).
Nature of business and principal activities	John Taolo Gaetsewe Municipality is a district municipality performing the functions as set out in the Constitution (Act no 105 of 1996).
Jurisdiction	The John Taolo Gaetsewe Municipality includes the municipal areas of Gamagara Municipality, Ga-segonyana Municipality and Joe Morolong Municipality. Demarcation code - DC45 John Taolo Gaetsewe
Mayoral committee	
Executive Mayor	S. Mosikasi
Executive Councillors	G.C. Assegai O.E. Hantise M.E. Mochwari O.C. Mogodi
Speaker	S.B. Gaobusiwe
Chairperson: Traditional Affairs	G. Phetthu
Part Time Councillors	M.A.P. ... J. Free... V. Jordan J.C. Ka... O.H. Ngobodithata Makoke B. ...segedi Mwembo M.M. Nhlapo J. Rakoi M.G. Sephekolo T.T. Tlholenyane A. Van Der Westhuizen
Chief Finance Officer	L.F. Molale - Appointed G.P. Moroane - Resigned
Accounting Officer	M.P. Bokgwathile
Registered office	P.O. Box 1480 Kuruman 8460
Business address	4 Federale Mynbou Street Kuruman 8460
Bankers	ABSA Bank Limited Standard Bank Limited
Auditors	Auditor General of South Africa
Attorneys	Neville Cloete Attorneys Incorporated

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

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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
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Officer's Responsibilities and Approval

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

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

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

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


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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently 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 4.

The annual financial statements set out on pages 4 to 71, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2014 and were signed on its behalf by:

 29/08/2014
M.P. Bokgwathile
Accounting Officer

Kuruman

31 August 2014

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged as a district municipality performing the functions as set out in the constitution (act no 105 of 1996) and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

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

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The accounting officer does not have an interest in any of the contracts entered into during the current financial year.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

No major changes in the nature or the policy relating to the use of the non-current assets of the municipality occurred during the year.

7. Accounting Officer

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

Name	Nationality
M.P. Bokgwathile	South Africa

8. Bankers

Accounts were held with Absa Bank Limited and Standard Bank Limited during the year.

9. Auditors

Auditor General of South Africa will continue in office for the next financial period.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Receivables from exchange transactions	3	7 229 469	7 144 332
Receivables from non-exchange transactions	4	-	78 494
VAT receivable	5	2 518 713	-
Cash and cash equivalents	6	34 618 346	37 658 659
		44 366 528	44 881 485
Non-Current Assets			
Biological assets	7	4 524 750	3 234 500
Investment property	8	6 315 000	5 730 000
Property, plant and equipment	9	74 482 046	74 873 468
Intangible assets	10	343 690	328 526
Heritage assets	11	19 750	19 750
		85 685 236	84 186 244
Non-current assets held for sale and assets of disposal groups	12	-	225 002
Total Assets		130 051 764	129 292 731
Liabilities			
Current Liabilities			
Finance lease obligation	13	189 496	167 493
Payables from exchange transactions	14	8 655 391	4 660 256
VAT payable	15	-	1 170 742
Employee benefit obligation	16	1 083 636	854 376
Unspent conditional grants and receipts	17	6 253 260	6 926 685
		16 181 783	13 779 552
Non-Current Liabilities			
Finance lease obligation	13	1 977 997	2 413 747
Employee benefit obligation	16	24 992 865	20 921 944
		26 970 862	23 335 691
Total Liabilities		43 152 645	37 115 243
Net Assets		86 899 119	92 177 488
Reserves			
Revaluation reserve	18	41 970 148	41 970 148
Accumulated surplus	22	44 928 971	50 207 340
Total Net Assets		86 899 119	92 177 488

Draft

* See Note 52 & 53

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment	24	74 206	76 628
Interest received (trading)	25	2 789 198	1 847 640
Administration and management fees received	26	2 451 436	3 848 362
Recoveries	27	1 024 819	2 664 082
Water reticulation agreement	28	3 543 000	-
Total revenue from exchange transactions		9 882 659	8 436 712
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	29	67 305 080	58 581 261
Total revenue	30	77 187 739	67 017 973
Expenditure			
Personnel	31	50 173 627	42 832 468
Remuneration of councillors	32	3 903 592	3 820 046
Depreciation and amortisation	33	2 988 240	2 741 277
Finance costs	34	1 944 675	1 737 982
Debt impairment	35	5 707	1 129 671
Repairs and maintenance	36	1 534 784	1 238 747
Grants and subsidies paid	37	-	4 990
General expenses	38	23 274 927	11 715 092
Total expenditure		83 825 552	65 220 273
Operating (deficit) surplus		(6 637 813)	1 797 700
Loss on disposal of assets and liabilities	39	(523 584)	(243 655)
Fair value adjustments	40	1 875 250	130 000
(Loss) gain on biological assets	39	-	(8 561)
		1 351 666	(122 216)
(Deficit) surplus for the year from continuing operations		(5 286 147)	1 675 484
Discontinued operations	12	7 778	31 387
(Deficit) surplus for the year		(5 278 369)	1 706 871

Draft

* See Note 52 & 53

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Capital replacement reserve	Donations and public contributions	Insurance reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	10 170 812	573 636	17 875 239	1 250 000	29 869 687	27 690 341	57 560 028
Adjustments	-	-	-	-	-	656 838	656 838
Change in accounting policy (note 50)	-	-	-	-	-	454 415	454 415
Prior period errors (note 51)	-	-	-	-	-	-	-
Balance at 01 July 2012 as restated*	10 170 812	573 636	17 875 239	1 250 000	29 869 687	28 801 594	58 671 281
Changes in net assets	-	-	-	-	-	1 706 871	1 706 871
Deficit for the year	-	-	-	-	-	(1 956 943)	(1 956 943)
Change in accounting policy (note 50)	-	-	-	-	-	3 474 565	3 474 565
Prior period errors (note 51)	-	-	-	-	-	189 249	-
Changes in revaluation surplus arising from changes in valuation of property, plant and equipment	31 799 336	-	-	-	31 799 336	-	31 799 336
Transfer of IMFO fund reserves to accumulated surplus	-	(573 636)	17 875 239	(1 250 000)	(19 698 875)	19 698 875	-
Total changes	31 799 336	(573 636)	17 875 239	(1 250 000)	12 100 461	21 405 746	33 506 207
Balance at 01 July 2013 as restated	41 970 148	-	-	-	41 970 148	50 207 340	92 177 488
Changes in net assets	-	-	-	-	-	(5 278 369)	(5 278 369)
Surplus for the year	-	-	-	-	-	(5 278 369)	(5 278 369)
Total changes	-	-	-	-	-	(5 278 369)	(5 278 369)
Balance at 30 June 2014	41 970 148	-	-	-	41 970 148	44 928 971	86 899 119
Note(s)	18	19	20	21			

* See Note 52 & 53

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		9 806 193	7 181 643
Grants		66 703 549	60 022 925
		<u>76 509 742</u>	<u>67 204 568</u>
Payments			
Employee costs		(53 897 561)	(46 464 007)
Suppliers		(20 383 509)	(13 186 296)
Finance costs		(1 944 675)	(1 737 982)
		<u>(76 225 745)</u>	<u>(61 388 285)</u>
Net cash flows from operating activities	41	283 997	5 816 283
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(3 028 759)	(1 128 203)
Proceeds from sale of property, plant and equipment	9	259 197	129 993
Purchase of other intangible assets	10	(141 001)	(90 024)
Proceeds from sale of financial assets		-	5 246
Proceeds from sale of biological assets	7	-	75 439
		<u>(2 910 563)</u>	<u>(1 007 549)</u>
Net cash flows from investing activities		(2 910 563)	(1 007 549)
Cash flows from financing activities			
Finance lease payments		(413 747)	(420 357)
Finance lease receipts		-	432 491
		<u>(413 747)</u>	<u>12 134</u>
Net cash flows from financing activities		(413 747)	12 134
Net increase/(decrease) in cash and cash equivalents		(3 040 313)	4 820 868
Cash and cash equivalents at the beginning of the year		37 658 659	32 837 791
Cash and cash equivalents at the end of the year	6	34 618 346	37 658 659

Draft

* See Note 52 & 53

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (i.t.o. s28 and s31 of the MFMA)	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	1 000 000	500 000	1 500 000	-		1 500 000	2 789 198		1 289 198	186 %	279 %
Transfers recognised - operational	45 530 976	31 126 801	76 657 777	-		76 657 777	67 305 080		(9 352 697)	88 %	148 %
Other own revenue	10 853 199	(2 082 433)	8 770 766	-		8 770 766	8 976 489		205 723	102 %	83 %
Total revenue (excluding capital transfers and contributions)	57 384 175	29 544 368	86 928 543	-		86 928 543	79 070 767		(7 857 776)	91 %	138 %
Employee costs	(38 375 039)	(15 611 106)	(53 986 145)	-		(53 986 145)	(50 173 627)		3 812 518	93 %	131 %
Remuneration of councillors	(4 562 552)	-	(4 562 552)	-		(4 562 552)	(3 903 592)		658 960	86 %	86 %
Debt impairment	-	-	-	-		-	(5 707)		(5 707)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(717 162)	(100 000)	(817 162)	-		(817 162)	(2 988 240)		(2 171 078)	366 %	417 %
Finance charges	(335 000)	-	(335 000)	-		(335 000)	(1 944 675)		(1 609 675)	581 %	581 %
Other expenditure	(10 287 422)	(16 940 249)	(27 227 671)	-		(27 227 671)	(25 333 295)		1 894 376	93 %	246 %
Total expenditure	(54 277 175)	(32 651 355)	(86 928 530)	-		(86 928 530)	(84 349 136)		2 579 394	97 %	155 %
Surplus/(Deficit)	3 107 000	(3 106 987)	13	-		13	(5 278 369)		(5 278 382)	- %	- %
Surplus/(Deficit) for the year	3 107 000	(3 106 987)	13	-		13	(5 278 369)		(5 278 382,802 838)%	(170)%	(170)%

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s28 and s31 of the MFMA)	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
Capital expenditure and funds sources											
Total capital expenditure	(3 107 000)	-	(3 107 000)	-	-	(3 107 000)	(3 169 760)	-	(62 760)	102 %	102 %
Sources of capital funds											
Internally generated funds	(3 107 000)	-	(3 107 000)	-	-	(3 107 000)	(3 169 760)	-	(62 760)	102 %	102 %
Cash flows											
Net cash from (used) operating	3 824 162	(3 206 987)	617 175	-	-	617 175	283 997	-	(333 178)	46 %	7 %
Net cash from (used) investing	(3 107 000)	200 000	(2 907 000)	-	-	(2 907 000)	(2 910 563)	-	(3 563)	100 %	94 %
Net cash from (used) financing	-	-	-	-	-	-	(413 747)	-	(413 747)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	717 162	(3 006 987)	(2 289 825)	-	-	(2 289 825)	(3 040 313)	-	(750 488)	133 %	(424)%
Cash and cash equivalents at the beginning of the year	37 658 659	-	37 658 659	-	-	37 658 659	37 658 659	-	-	100 %	100 %
Cash and cash equivalents at year end	38 375 821	(3 006 987)	35 368 834	-	-	35 368 834	34 618 346	-	750 488	98 %	90 %

The reasons for significant differences between budgeted and actual amounts have been disclosed in note 54 Actual operating expenditure versus budgeted operating expenditure and note 55 Actual capital expenditure versus budgeted capital expenditure. Differences are considered to be significant if they differ 10% or more from the budgeted figures.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Appropriation Statement

Figures in Rand

Reported unauthorised expenditure Expenditure authorised in terms of section 32 of MFMA Balance to be Restated recovered audited outcome

2013

Financial Performance

Investment revenue
Transfers recognised - operational
Other own revenue

1 847 640
58 581 261
6 750 459

Total revenue (excluding capital transfers and contributions)

Employee costs
Remuneration of councillors
Debt impairment
Depreciation and asset impairment
Finance charges
Transfers and grants
Other expenditure

67 179 360
(42 832 468)
(3 820 046)
(1 129 671)
(2 741 277)
(1 737 982)
(4 990)
(13 206 055)

Total expenditure

(65 472 489)

Surplus/(Deficit)

1 706 871

Transfers recognised - capital

-

Surplus (Deficit) after capital transfers and contributions

1 706 871

Surplus/(Deficit) for the year

1 706 871

Capital expenditure and funds sources

Total capital expenditure

(1 218 227)

Sources of capital funds

Internally generated funds

(1 218 227)

Draft

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				5 816 283
Net cash from (used) investing				(1 007 549)
Net cash from (used) financing				12 134
Net increase/(decrease) in cash and cash equivalents				4 820 868
Cash and cash equivalents at the beginning of the year				32 837 791
Cash and cash equivalents at year end				37 658 659

Draft

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented 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:

Impairment of 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.

Impairment testing

The recoverable amounts of cash-generating units and individual assets are 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.

Provisions

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

Allowance for doubtful debts

An allowance for doubtful debts is recognised in surplus and deficit. The allowance is measured by categorising debtors into low, medium and high risk categories at the end of each year, and then applying percentages based on the risk category and ageing of each debtor. Risk categories are identified by the percentage of debt recovered from the debtor during the year. No allowance for bad debts is calculated on government and municipal debt.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 Biological assets

The municipality recognises a biological assets that form part of an agricultural activity or agricultural produce when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of a similar age, breed, and genetic merit.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate, where applicable, is used to determine fair value.

Unconditional government grants related to biological assets that form part of an agricultural activity are recognised as income when the grants become receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.4 Investment property

Investment property is property (land and / or buildings and / or part of a building) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services
- administrative purposes, or
- sale in the ordinary course of operation

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes, and is therefore not classified as investment property.

Investment property is recognised as an asset when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the municipality determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model until disposal of the investment property.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services 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, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset 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 bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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.

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

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

The cost of day-to-day servicing are not recognised in the carrying value of an item of property, plant and equipment. These repairs and maintenance costs are recognised in surplus or deficit as they are incurred.

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for Land, Buildings and Community assets which are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

It is the policy of the municipality to revalue the Land, Buildings and Community assets once every five years. Management is of the opinion that this is sufficiently regular to ensure that the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent that it eliminates any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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 assessed as follows:

Item	Average useful life	Average useful life - as previously stated
Buildings	30 years	30 years
Community assets		
• Land	Indefinite	Indefinite
• Buildings	20 - 30 years	20 - 30 years
Furniture and fixtures	5 - 30 years	5 - 30 years
IT equipment	5 - 30 years	3 - 30 years
Land	Indefinite	Indefinite
Leased assets		
• Office equipment	3 - 5 years	3 years
• Cell phones	2 - 3 years	2 years
Motor vehicles	5 - 12 years	3 - 20 years
Office equipment	5 - 30 years	3 - 30 years
Other property, plant and equipment	2 - 22 years	2 - 22 years

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

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

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

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

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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Accounting Policies

1.6 Intangible assets

An asset is identifiable if it:

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

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

An intangible asset is recognised when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost 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.

Separately acquired intangible assets are initially measured at cost.

The cost includes the purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, as well as any other directly attributable costs of preparing the asset for its intended use.

Recognition of costs of an intangible asset ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 if, and only if, all of the following can be demonstrated:

- 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, and
- 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 intangible assets that are regarded as having finite useful lives, amortisation is provided on a straight line basis over the useful lives.

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.

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Accounting Policies

1.6 Intangible assets (continued)

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, internally generated	5 - 10 years
Computer software, other	5 years

Intangible assets are derecognised:

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

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

A heritage asset is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Heritage assets are measured at cost on initial recognition.

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

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

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

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

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.

1.8 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.

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

- derivatives;
- combined instruments that are designated at fair value;

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Accounting Policies

1.8 Financial instruments (continued)

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

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity 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. with no modification or repackaging) or based on any available observable market data.

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

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

Reclassification

The entity does not reclassify a financial instrument when it is issued or held unless it is:

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The entity 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.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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Accounting Policies

1.8 Financial instruments (continued)

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 either directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

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

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Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

The municipality derecognises a financial liability (or a part of a financial liability) 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.

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Accounting Policies

1.8 Financial instruments (continued)

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

1.9 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.10 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 all the following are applicable:

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Accounting Policies

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

- The sale is highly probable,
- The asset (or disposal group) is available for immediate sale in its present condition,
- Management is committed to the sale, and
- The sale is expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

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Accounting Policies

1.11 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 assets 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 oversized or overcapacity asset. Oversized 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.

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

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

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

1.12 Net assets

Net assets are the residual interest in the assets of the municipality, after deducting all of its liabilities.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

The expected cost of the bonuses (thirteenth cheques) is recognised as an expense as the employees render services that increase their entitlement. The municipality does not pay any incentive or performance bonuses.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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Accounting Policies

1.13 Employee benefits (continued)

Defined contribution plans

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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

1.14 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an municipality:

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

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

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

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

Contingent liabilities, that are separately recognised in entity combinations, are subsequently measured at the higher of:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

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

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

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

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

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

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

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the municipality consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.11.

If the related asset is measured using the revaluation model:

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

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

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

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

Service 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.

Interest, royalties and dividends

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

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

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

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

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

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

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Measurement

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

Government grants

Government grants are recognised as revenue when:

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

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

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

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

1.17 Investment income

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

1.18 Borrowing costs

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

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

1.19 Comparative figures

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

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.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

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

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register and in a separate note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register and in a separate note to the financial statements.

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

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

1.23 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings and depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.24 Budget information

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

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

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

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

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

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

1.25 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.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.25 Related parties (continued)

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

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

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

1.26 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting period); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality adjusts the amounts recognised in its financial statements to reflect adjusting events after the reporting date.

The municipality does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. The municipality discloses the nature and estimate of financial effect for all material categories of non adjusting events after the reporting period.

1.27 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners, and are only recognised when the value of these outflows or consumptions of assets or incurrences of liabilities can be reliably measured. Under the accrual basis, expenses are recognised when they occur, and not only when cash or its equivalent is paid.

Items included in this category consists of personnel costs, remuneration of councillors, grants and subsidies paid and general expenses.

1.28 Value-added tax (VAT)

The municipality accounts for value-added tax (VAT) on the payment basis.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 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 01 July 2014 or later periods:

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.

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, conversely, 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;

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Related party transactions; and
- Remuneration of management

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

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, 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.

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.

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.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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 amendment is for years beginning on or after 01 April 2014.

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.

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.
- Additional text

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively.

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

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.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods but are not relevant to its operations:

GRAP 12 (as revised 2012): Inventories

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

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

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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. Receivables from exchange transactions

Deposits	348	608
Employee costs in advance	200	450
Trade receivables	7 228 921	7 143 274
	7 229 469	7 144 332

Consumer receivables are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

Other arrears: Ageing

	2014	2013
Current (0 - 30 days)	3 205 146	2 978 631
31 - 60 Days	61 546	27 946
61 - 90 Days	274 014	4 607
+ 90 Days	3 796 101	4 186 632
	7 336 807	7 197 816

Summary of Debtors by Customer Classification

30 June 2014

	Residential	National and Provincial Government	Total
Current (0 - 30 days)	20 067	3 185 079	3 205 146
31 - 60 Days	3 202	58 344	61 546
61 - 90 Days	3 526	270 488	274 014
+ 90 Days	55 742	3 740 358	3 796 100
	82 537	7 254 269	7 336 806

Summary of Debtors by Customer Classification

30 June 2013

	Residential	National and Provincial Government	Total
Current (0 - 30 days)	13 405	2 965 255	2 978 660
31 - 60 Days	2 749	25 257	28 006
61 - 90 Days	12 743	3 314	16 057
+ 90 Days	46 822	4 128 271	4 175 093
	75 719	7 122 097	7 197 816

Trade and other receivables impaired

The amount of the provision was R 57 224 as of 30 June 2014 (2013: R 54 817).

Reconciliation of provision for impairment of trade and other receivables

Opening balance	54 817	49 896
Provision for impairment	2 407	4 921
	57 224	54 817

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
4. Receivables from non-exchange transactions		
Unpaid conditional government grants and receipts	29	-
Tranquility Trust		-
		75 194
		3 300
		78 494

Unpaid conditional government grants and receipts consist of the following:

Library Grant	-	75 194
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Receivables from non-exchange transaction are not pledged as security.

5. VAT receivable

VAT receivable	2 518 713	-
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6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 750	1 750
Bank balances	3 571 798	1 330 443
Short-term deposits	31 044 798	36 326 466
	34 618 346	37 658 659

Cash and cash equivalents comprise of cash held and short term deposits. The carrying amount of these assets approximates their value.

Call investment deposits to an amount of R9 409 674 are held to fund the Unspent Conditional Grants (2013: R9 170 453).

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014			2013		
6. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank Limited - Current Account - 960-000-099	-	237 695	6 108 559	-	232 842	6 095 626
Standard Bank Limited - Current account - 024-0923-804	3 576 584	1 097 601	-	3 571 798	1 097 601	-
First National Bank - Call Account - 62016341208	2 057 086	3 954 470	3 820 828	2 057 760	3 954 470	3 820 828
First National Bank - Call Account - 62047254272	3 671	3 542	3 423	3 671	3 542	3 423
ABSA Bank Limited - Call Account - 92-3663-0418	-	1 476 054	1 436 149	-	1 476 054	1 436 149
ABSA Bank Limited - Call Account - 92-3663-0125	1 581 951	1 526 315	1 485 052	1 581 951	1 526 315	1 485 052
ABSA Bank Limited - Call Account - 92-4823-0606	-	-	2 205 889	-	-	2 205 889
ABSA Bank Limited - Call Account - 92-6474-7807	1 878 704	6 666 433	-	1 878 704	6 666 433	-
ABSA Bank Limited - Call Account - 92-2896-9110	-	247 895	21 653	-	247 895	195 324
ABSA Bank Limited - Call Account - 92-8619-2719	5 290 709	-	-	5 290 709	-	-
ABSA Bank Limited - Call Account - 92-6852-5079	-	30 045	30 018	-	30 045	30 018
ABSA Bank Limited - Call Account - 92-6852-4918	-	134 376	133 899	-	134 376	133 899
ABSA Bank Limited - Call Account - 20-7429-3047	5 112 734	-	-	5 112 734	-	-
Standard Bank Limited - Call Account - 048596582-003	458 163	898 037	8 789 251	458 163	898 037	8 789 251
Standard Bank Limited - Call Account - 048596582-004	398 963	3 961 554	8 640 583	398 963	3 961 554	8 640 583
Standard Bank Limited - Call Account - 508871603-001	-	2 053 456	-	-	2 053 456	-
Standard Bank Limited - Call Account - 508871603-002	444 176	5 170 829	-	444 176	5 170 829	-
Standard Bank Limited - Call Account - 508864410-003	238	74 781	-	238	74 781	-
Standard Bank Limited - Call Account - 508872952-001	-	5 019 290	-	-	5 019 290	-
Nedbank Limited - Call Account - 03-7881102918-000029	2 133 886	1 008 308	-	2 133 886	1 008 308	-
Nedbank Limited - Call Account - 03-7881102918-000030	447 425	2 017 713	-	447 425	2 017 713	-
Nedbank Limited - Call Account - 03-7881102918-000027	414 480	424 497	-	414 480	424 497	-
Nedbank Limited - Call Account - 03-7881102918-000028	1 333 872	393 240	-	1 333 872	393 240	-
Nedbank Limited - Call Account - 03-7881102918-000026	1 067 097	1 260 384	-	1 067 097	1 260 384	-
First National Bank - Call Account - 7100-2746-116	5 388	5 246	5 246	5 388	5 246	5 246
First National Bank - Call Account - 7444-6880-227	8 415 580	-	-	8 415 580	-	-
Total	34 620 707	37 661 761	32 900 550	34 616 595	37 656 908	32 841 288

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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7. Biological assets

	2014			2013		
	Valuation	Accumulated impairment	Carrying value	Valuation	Accumulated impairment	Carrying value
Biological assets - Game	4 524 750	-	4 524 750	3 234 500	-	3 234 500

Reconciliation of biological assets - 2014

	Opening balance	Disposals	Transfers	Gains or losses arising from changes in fair value	Total
Biological assets - Game	3 234 500	-	-	1 290 250	4 524 750

Reconciliation of biological assets - 2013

	Opening balance	Disposals	Transfers	Gains or losses arising from changes in fair value	Total
Biological assets - Game	-	3 318 500	-	-	3 234 500

Non - Financial information

Quantities of each biological asset

Blesbok	79	51
Blouwildebees - adults	335	315
Blouwildebees - young	-	50
Eland - adults	91	90
Eland - young	-	20
Gemsbok - adults	290	250
Gemsbok - young	-	40
Koedoe	-	1
Ostrich - adults	35	25
Ostrich - young	-	15
Rooi Hartebeest - adults	95	67
Rooi Hartebeest - young	-	10
Springbok	80	23
Zebra	27	19
	1 032	976

Information on the amount of births and deaths is not available, counts are only performed at year end.

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.

Pledged as security

Carrying value of biological assets is not pledged as security:

Methods and assumptions used in determining fair value

The fair value represents the market values for biological assets that are traded on active markets in the Northern Cape.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

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2014 2013

8. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6 315 000	-	6 315 000	5 730 000	-	5 730 000

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Properties	5 730 000	585 000	6 315 000

Reconciliation of investment property - 2013

	Opening balance	Fair value adjustments	Total
Properties	5 600 000	130 000	5 730 000
Fair value of investment properties		6 315 000	5 730 000

Pledged as security

Carrying value of investment property is not pledged as security.

Details of properties

Erf 2617 - Kuruman Campus

Freehold ownership property in the Kuruman registration division. Site area is 1190m². Title deed No. T504/1947. Registration date is 15 June 1978 with conditions and servitudes in accordance with erf 2617 which is a consolidation of erven 1105 and 1106.

- Valuation since purchase

2 270 000 2 090 000

Erf 938 and 940 Kuruman

Property in the Northern Cape province with title deed number T416/1996. Site area is 2023m²

- Purchase price: 1 December 2008

310 000 310 000

- Additions since purchase or valuation

3 735 000 3 330 000

4 045 000 3 640 000

Investment property is rented out. Per the rental agreement, any repairs and maintenance necessary on the properties are the responsibility of the lessee, and no repairs and maintenance have been paid for the Investment property during the current or prior years.

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.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

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2014

2013

9. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Buildings	14 145 200	-	14 145 200	13 862 587	-	13 862 587
Community assets	34 400 000	-	34 400 000	34 400 000	-	34 400 000
Furniture and fixtures	1 889 348	(893 882)	995 466	1 994 201	(997 972)	996 229
IT equipment	21 659 695	(6 803 122)	14 856 573	22 282 844	(5 748 310)	16 534 534
Land	6 212 413	-	6 212 413	6 212 413	-	6 212 413
Leased assets	87 421	(76 452)	10 969	136 027	(84 534)	51 493
Motor vehicles	5 582 894	(2 350 461)	3 232 433	5 584 433	(3 501 563)	2 082 870
Office equipment	850 533	(276 919)	573 614	1 010 369	(310 654)	699 715
Other property, plant and equipment	77 249	(21 871)	55 378	75 215	(41 588)	33 627
Total	84 904 753	(10 422 707)	74 482 046	85 558 089	(10 684 621)	74 873 468

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JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Buildings	13 862 587	282 613	-	-	-	-	14 145 200
Community assets	34 400 000	-	-	-	-	-	34 400 000
Furniture and fixtures	996 229	258 038	(122 988)	-	-	(135 813)	995 466
IT equipment	16 534 534	690 306	(116 124)	-	-	(2 252 143)	14 856 573
Land	6 212 413	-	-	-	-	-	6 212 413
Leased assets	51 493	-	(2 977)	-	-	(37 547)	10 969
Motor vehicles	2 082 869	1 729 119	(236 297)	-	-	(343 858)	3 232 433
Office equipment	699 715	22 940	(65 082)	-	-	(84 017)	573 614
Other property, plant and equipment	33 628	1 083	(14 310)	-	-	(9 025)	55 378
	74 873 468	3 234 599	(557 778)	-	-	(2 862 403)	74 482 046

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Buildings	4 973 372	-	-	-	8 889 215	-	13 862 587
Community assets	18 790 792	-	-	(3 318 500)	18 927 708	-	34 400 000
Furniture and fixtures	931 940	173 729	(804)	-	-	(108 636)	996 229
IT equipment	18 568 937	197 668	(50 176)	-	-	(2 181 895)	16 534 534
Land	2 230 000	-	-	-	3 982 413	-	6 212 413
Leased assets	70 398	42 701	(4 605)	-	-	(57 001)	51 493
Motor vehicles	1 607 388	697 303	(834)	-	-	(220 988)	2 082 869
Office equipment	776 877	6 250	(794)	-	-	(82 618)	699 715
Other property, plant and equipment	27 530	10 552	(1 015)	-	-	(3 439)	33 628
	47 977 234	1 128 203	(58 228)	(3 318 500)	31 799 336	(2 654 577)	74 873 468

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

9. Property, plant and equipment (continued)

Pledged as security

Carrying value of property, plant and equipment is not pledged as security.

Revaluations

Land, Buildings and Community assets are re-valued independently every 5 years. A revaluation was performed for the year ending 30 June 2013, and will therefore again be performed for the year ending 30 June 2018.

Details of properties

Farm Surprise No. 33

Surprise 33/0 in extent 3102,0849 hectares, Kuruman Rd, Northern Cape Province. Title Deed T2848/2007

The farm is situated in the John Taolo Municipal District, adjacent to the town Van Zyls Rus.

- Purchase price: 19 July 2007

- Additions since purchase or valuation

4 243 652 4 243 652

4 756 348 4 756 348

9 000 000 9 000 000

Farm Ptn 70 of Kalahari-Oos no 410

Farm Ptn 70 of Kalahari-oos no. 410 in extent 6808,2158 hectares, Kuruman RD, Northern Cape Province. Title Deed T4150/2005

The farm is situated in the John Taolo Municipal District, about 40km from Van Zyls Rus towards Hotazel and Kuruman.

- Purchase price: 25 June 2005

- Additions since purchase or valuation

6 834 000 6 834 000

14 366 000 14 366 000

21 200 000 21 200 000

Erf 1973 - District Municipal Workshop

Freehold ownership property in the Kuruman registration division. Site area is 8565sqm. Title deed No. T504/1947. Registration date is 4 June 1947 with conditions and servitudes in accordance with I454/1956c

- Additions since purchase or valuation

4 250 000 4 250 000

Farm of chakwana no 200

Farm of Chakwana no. 200 in extent 959,5054 hectares, Kuruman Rd, Northern Cape Province. Title Deed T3507/2002

The farm is situated in Kuruman Rural District about 80km from Kuruman towards Vryburg

- Purchase price: 17 December 2002

- Additions since purchase or valuation

609 286 609 286

3 590 714 3 590 714

4 200 000 4 200 000

Erf 4471 - District Municipal Offices

Freehold ownership property in the Kuruman registration division. Site area is 4760sqm. Title deed No. T4295/2005. registration date is September 2005 with condition and servitudes in accordance with Erf 4471 which is a consolidation of erven 943 and 2595

- Additions since purchase or valuation

16 107 613 15 825 000

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

9. Property, plant and equipment (continued)

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.

10. Intangible assets

	2014			2013		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Computer software	1 088 610	(744 920)	343 690	947 609	(619 083)	328 526

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	328 526	141 001	-	(125 837)	343 690

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	325 488	29 024	(283)	(86 703)	328 526

Pledged as security

Carrying value of intangible assets is not pledged as security.

Other information

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.

11. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Council regalia	19 750	-	19 750	19 750	-	19 750

Reconciliation of heritage assets 2014

	Opening balance	Total
Council regalia	19 750	19 750

Reconciliation of heritage assets 2013

	Opening balance	Total
Council regalia	19 750	19 750

Pledged as security

Carrying value of heritage assets is not pledged as security.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

11. Heritage assets (continued)

Other information

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.

12. Discontinued operations or disposal groups or non-current assets held for sale

John Taolo Gaetsewe District Municipality provided services to District Management Areas under their control. These areas were transferred by a section 12 notice by the MEC of Cooperative Governance and Transitional Affairs to Local B-Municipalities. Since 30 June 2011, John Taolo Gaetsewe District Municipality no longer has control over these District Management Areas and no longer provides any services to these areas. The assets and liabilities of the disposal group are set out below.

The non-current assets were sold on a piecemeal basis.

Surplus / Deficit

Other income 10 978 31 384

Assets and liabilities

Non-current assets held for sale

Property, plant and equipment - 225 002

13. Finance lease obligation

Minimum lease payments due

- within one year 395 122 399 124
- in second to fifth year inclusive 1 580 490 1 596 493
- later than five years 1 185 368 1 727 514

less: future finance charges

3 160 980 3 723 131
(993 487) (1 141 891)

Present value of minimum lease payments

2 167 493 2 581 240

Non-current liabilities

1 977 997 2 413 747

Current liabilities

189 496 167 493

2 167 493 2 581 240

The period of the loan is 15 years and the average effective borrowing rate was 9.64 % (2013: 9.64%) compounded bi-annually.

Interest rates are fixed at the contract date. All leases have fixed repayments, which are made bi-annually, and no arrangements have been entered into for contingent rent.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
14. Payables from exchange transactions		
Trade payables	4 330 395	433 216
Payments received in advanced	118 843	112 027
Compensation for injuries on duty contribution	1 074 000	724 000
Accrued leave pay	1 805 863	1 704 550
Accrued bonus	1 113 996	1 385 651
Accrued expenses	208 564	300 812
Retention creditors	3 730	-
	8 655 391	4 660 256

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

All payables are unsecured.

15. VAT payable

VAT payable	-	1 170 742
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16. Employee benefit obligations

Other long-term employee benefits obligation

The plan is a post retirement health care benefit plan.

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

Carrying value		
Present value at the beginning of the year	21 776 320	20 100 046
Net actuarial gains or losses not recognised	2 480 576	162 411
Contributions to provision	55 928	(39 827)
Interest cost	1 763 677	1 553 690
	26 076 501	21 776 320
Non-current liabilities	24 992 865	20 921 944
Current liabilities	1 083 636	854 376
	26 076 501	21 776 320

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.87 %	8.26 %
Expected rate of return on assets	8.09 %	7.84 %
Expected rate of return on reimbursement rights	0.72 %	0.39 %

Mortality rates are determined by the PA 90 ultimate table, rated down by 1 year of age used by actuaries.

The normal retirement age for employees of the municipality is 63 years.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013			
16. Employee benefit obligations (continued)					
Other assumptions					
The liability in respect of the current and previous four years are as follows:					
	2014 R	2013 R	2012 R	2011 R	2010 R
In-service members	10 973 679	9 357 089	7 822 664	7 042 263	5 601 924
Continuation members	15 102 822	12 419 231	12 277 382	11 410 900	8 743 813

Defined contribution funds

Council members contribute to the Municipal Council Pension Fund which is a defined contribution fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pensions being calculated on the pensionable remuneration paid. Current contributions by Council members are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance:

Municipal councillors pension fund	483 418	1 125 585
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Cape Joint Pension Fund

The contribution rate payable by the members and the council is 9% and 18% respectively.

Contributions paid recognised in the Statement of Financial Performance	49 112	44 914
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Cape Joint Retirement Fund

The contribution rate payable by the members and the council is 9% and 18% respectively.

Contributions paid recognised in the Statement of Financial Performance	5 061 463	4 047 003
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17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Local Government Financial Management Grant (FMG)	183 935	480 661
Municipal Systems Improvement Grant (MSIG)	-	1 643 621
Expanded Public Works Programme Grant (EPWP)	2 941 024	269 986
Housing Accreditation	42 193	1 350 407
Near Grant	443 959	213 953
Fire Grant	690 000	390 000
Vanzylsrus Sportfield	479 962	479 962
HIV Aids Council	185 495	98 095
Infrastructure Skill Development	1 276 019	2 000 000
Rural Road Asset Management Grant	10 673	-
	6 253 260	6 926 685

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work-in-progress on the relevant financial year-ends.

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

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
18. Revaluation reserve		
Revaluation surplus relating to property, plant and equipment	41 970 148	10 170 812
Revaluation of property, plant and equipment	-	31 799 336
	41 970 148	41 970 148

The revaluation reserve is created by surplus arising from the revaluation of property, plant and equipment and is not distributable.

19. Capital replacement reserve

The capital replacement reserve is used to finance future capital expenditure from own funds

Opening Balance	-	573 636
Transfer to accumulated surplus	-	(573 636)
	-	-

20. Donations and public contributions

The donations and public contributions reserve equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The donations and public contributions reserve ensures consumer equity and is not cash backed

Opening Balance	-	17 875 239
Transfer to accumulated surplus	-	(17 875 239)
	-	-

21. Insurance reserve

Donations and Public Contribution Reserve

Opening Balance	-	1 250 000
Transfer to accumulated surplus	-	(1 250 000)
	-	-

22. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2014

	Capital replacement reserve	Donations and public contributions	Insurance reserve	Total
Opening balance	573 636	17 875 239	1 250 000	19 698 875

Ring-fenced internal funds and reserves within accumulated surplus - 2013

	Capital replacement reserve	Donations and public contributions	Insurance reserve	Total
Opening balance	573 636	17 875 239	1 250 000	19 698 875

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
23. Financial instruments disclosure		
Categories of financial instruments		
2014		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	7 229 469	7 229 469
Cash and cash equivalents	34 618 349	34 618 349
	41 847 818	41 847 818
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	8 655 391	8 655 391
Unspent conditional grants	6 253 260	6 253 260
Finance lease obligation	2 167 493	2 167 493
	17 076 144	17 076 144
2013		
Financial assets		
	At amortised cost	Total
Receivables from exchange transactions	7 144 332	7 144 332
Receivables from non-exchange transactions	78 494	78 494
Cash and cash equivalents	37 658 659	37 658 659
	44 881 485	44 881 485
Financial liabilities		
	At amortised cost	Total
Payables from exchange transactions	1 170 742	1 170 742
Unspent conditional grants	6 926 685	6 926 685
Finance lease obligation	2 581 240	2 581 240
	10 678 667	10 678 667
24. Rental of facilities and equipment		
Premises	74 206	76 628

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
25. Investment revenue		
Interest revenue		
Bank	2 234 762	1 847 640
Receivables from exchange transactions	554 434	-
	2 789 196	1 847 640

The amount included in Investment revenue arising from exchange transactions amounted to R2 787 522 (2013: R1 847 640).

26. Administration and management fees received

Product Related Services	1 867 750	2 586 933
Sundries	504 564	1 022 900
Telephone Private	11 107	226 084
Training	68 015	12 445
	2 451 436	3 848 362

27. Recoveries

Recoveries consists of the following:

Capacity Development Support - Corporate Governance Human Settlement and Traditional Affairs (COGHSTA)	1 024 819	2 664 082
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28. Water reticulation agreement

Ga-Segonyana Local Municipality	3 543 000	-
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The municipality entered into an agreement with the Ga-Segonyana Local Municipality, whereby the other municipality transfers an amount received for Garuele and Gasebano water reticulation. The municipality will be the implementing agent for the projects as Ga-Segonyana Local Municipality does not have the infrastructure to implement the project itself.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
29. Government grants and subsidies		
Operating grants		
Equitable share	57 741 999	55 360 893
Financial Management Grant (FMG)	1 546 726	980 650
Municipal Systems Improvement Grant (MSIG)	2 533 621	456 512
Library Grant	-	177 194
Near Grant	69 994	207 047
Expanded Public Works Programme Incentive Grant	828 853	1 074 009
Rural Transport	1 454 327	-
HIV AIDS Council	12 600	53 268
Infrastructure Skill Development	723 981	-
	64 912 101	58 309 573
Capital grants		
Vanzylsrus Sportfield	-	271 688
Housing Accreditation	2 392 979	-
	2 392 979	271 688
	67 305 080	58 581 261
Reconciliation of grants from National / Provincial Government		
Operating grants		
National Government	64 105 526	57 872 064
Provincial Government	806 575	437 509
	64 912 101	58 309 573
Capital grants		
Provincial Government	2 392 979	271 688
	2 392 979	271 688
Reconciliation of conditional and unconditional grants		
Conditional grants received	57 741 999	55 360 893
Unconditional grants received	9 563 081	3 220 368
	67 305 080	58 581 261
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	57 741 999	55 360 893
Executive & Council	2 533 621	456 512
Budget & Treasury	1 546 726	980 650
Corporate Services	69 994	384 241
Community & Social Services	12 600	324 956
Housing	2 392 979	-
Planning & Development	3 007 161	1 074 009
	67 305 080	58 581 261

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

	2014	2013
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29. Government grants and subsidies (continued)

Equitable Share

Equity share

Current-year receipts	57 741 999	55 360 893
Conditions met - transferred to revenue	(57 741 999)	(55 360 893)
Net of unspent/(unpaid) grants	-	-

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

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

Financial Management Grant (FMG)

Balance unspent at beginning of year	480 661	211 311
Current-year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	(1 546 726)	(980 650)
Net of unspent/(unpaid) grants	183 935	480 661

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The Financial Management Grant also pays for the cost of the Financial Management Internship Programme (e.g. salaries of the Financial Management Interns).

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	1 643 621	1 100 133
Current-year receipts	890 000	1 000 000
Conditions met - transferred to revenue	(2 533 621)	(456 512)
Net of unspent/(unpaid) grants	-	1 643 621

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

Housing Accreditation

Balance unspent at beginning of year	1 350 407	1 350 407
Current-year receipts	1 084 765	-
Conditions met - transferred to revenue	(2 392 979)	-
Net of unspent/(unpaid) grants	42 193	1 350 407

The Housing grant was utilised for the development of erven and the erection of top structures. This is a multi-year project, and the balance of the grant will be utilised in the subsequent years. Commitments of R671 931 were entered into before year end in relation to this grant.

Library Grant

Balance unspent at beginning of year	(75 194)	-
Current-year receipts	75 194	102 000
Conditions met - transferred to revenue	-	(177 194)
Net of unspent/(unpaid) grants	-	(75 194)

The Library grant was used to finance library activities.

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29. Government grants and subsidies (continued)		
Near Grant		
Balance unspent at beginning of year	213 953	-
Current-year receipts	300 000	421 000
Conditions met - transferred to revenue	(69 994)	(207 047)
Net of unspent/(unpaid) grants	443 959	213 953

The grant is used to maintain the disaster management centre. The project is ongoing and subsequent to year end and the municipality will continue to utilise the grant subsequent to year end.

Fire Grant

Balance unspent at beginning of year	390 000	-
Current-year receipts	300 000	390 000
Net of unspent/(unpaid) grants	690 000	390 000

Kuruman is prone to natural disasters, mainly fires. This grant is to assist local municipalities to upgrade and render a fire service. The project is ongoing and subsequent to year end commitments to the value of R523 709 were entered into relating to capital expenditure for which this grant is to be utilised.

Expanded Public Works Programme Incentive Grant

Balance unspent at beginning of year	269 986	117 848
Current-year receipts	3 499 891	1 000 000
Conditions met - transferred to revenue	(828 853)	(1 074 009)
Other - written off	-	226 147
Net of unspent/(unpaid) grants	2 941 024	269 986

The grant was used for debushing, fencing of graveyards as well as to address issues of unemployment as it is labour intensive. The grant was received late in the year and the project was only started in May 2014. Therefore the municipality will therefore continued to utilise the grant subsequent to year end and commitments to the value of R746 148 were already entered into before the end of the year.

Rural Transport

Balance unspent at beginning of year	-	1 503 894
Current-year receipts	1 465 000	-
Conditions met - transferred to revenue	(1 454 327)	-
Other - Recovered by National Treasury	-	(1 503 894)
Net of unspent/(unpaid) grants	10 673	-

This is the allocation by the Department of Transport in the Northern Cape to maintain the roads function on behalf of the Department of Transport.

Vanzylsrus Sportfield

Balance unspent at beginning of year	479 962	-
Current-year receipts	-	751 650
Conditions met - transferred to revenue	-	(271 688)
Net of unspent/(unpaid) grants	479 962	479 962

The grant was used to build a sportfield at Vanzylsrus. The unspent portion is for maintenance and is ongoing.

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29. Government grants and subsidies (continued)

HIV AIDS Council

Balance unspent at beginning of year	98 095	-
Current-year receipts	100 000	151 363
Conditions met - transferred to revenue	(12 600)	(53 268)
Net of unspent/(unpaid) grants	185 495	98 095

The grant was used for HIV Aids awareness. A number of local aids councils are not functioning and therefore the money allocated to these councils have not yet been utilised. The project is ongoing and the municipality will continued to utilise the grant subsequent to year end.

Commonage Farms

Balance unspent at beginning of year	-	(320 015)
Other - written off	-	320 015
Net of unspent/(unpaid) grants	-	-

The grant was used to assist commonage farms.

Infrastructure Skill Development

Balance unspent at beginning of year	2 000 000	-
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	(723 981)	-
Net of unspent/(unpaid) grants	1 276 019	2 000 000

The grant will be used to employ interns for training in civil engineering, building inspections and town planning. The amount was received late during the financial year and the project only gained momentum in March 2014. The municipality will therefore continued to utilise the grant subsequent to year end.

Total Grants

Balance unspent at beginning of year	6 851 491	3 963 578
Current-year receipts	66 706 849	62 426 906
Conditions met - transferred to revenue	(67 305 080)	(58 581 261)
Other	-	(957 732)
Net of unspent/(unpaid) grants	6 253 260	6 851 491

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30. Revenue

Rental of facilities and equipment	74 206	76 628
Interest received (trading)	2 789 198	1 847 640
Administration and management fees received	2 451 436	3 848 362
Recoveries	1 024 819	2 664 082
Water reticulation agreement	3 543 000	-
Government grants & subsidies	67 305 080	58 581 261
	77 187 739	67 017 973

The amount included in revenue arising from exchanges of goods or services are as follows:

Rental of facilities and equipment	74 206	76 628
Interest received (trading)	2 789 198	1 847 640
Administration and management fees received	2 451 436	3 848 362
Recoveries	1 024 819	2 664 082
Other income 1	3 543 000	-
	9 882 659	8 436 712

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue

Government grants & subsidies	67 305 080	58 581 261
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JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

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Figures in Rand	2014	2013
31. Employee related costs		
Basic	29 886 237	24 839 464
Bonus	1 514 217	1 168 113
Contribution Industrial Council	6 591	5 992
Contribution Pension Fund	3 756 317	3 094 007
Contribution Provident Fund/Group	259 755	243 636
Contribution to provision - Employee benefit obligations	55 928	(39 827)
Housing benefits and allowances	1 696 516	1 546 688
Leave pay provision charge	1 751 903	1 153 747
Medical aid - company contributions	4 372 930	3 961 897
Nightshift Allowance	35 971	23 981
SDL	452 396	31 745
Travel, motor car, accommodation, subsistence and other allowances	6 195 776	6 257 087
UIF	189 090	545 938
	50 173 627	42 832 468

Remuneration of municipal manager: M.P.Bokgwathile

Acting allowance	-	16 711
Annual Remuneration	955 587	861 000
Car Allowance	84 000	112 800
Contributions to UIF, Medical and Pension Funds	12 190	11 370
Backpay	25 045	-
	1 076 822	1 001 881

Remuneration of chief finance officer: L.F. Molale

Acting allowance	37 374	-
Annual Remuneration	436 384	664 396
Car Allowance	21 000	101 825
Contributions to UIF, Medical and Pension Funds	73 954	9 115
Housing allowance	32 298	18 600
Cellphone allowance	3 200	-
	604 210	793 936

Remuneration of director of Infrastructure: M.W. Molusi

Annual Remuneration	628 600	296 160
Car Allowance	120 000	74 400
Contributions to UIF, Medical and Pension Funds	9 001	4 449
Cellphone allowance	4 800	-
	762 401	375 009

Remuneration of head of internal audit: S.D. Sethibe

Annual Remuneration	783 395	747 132
Car Allowance	100 800	129 600
Contributions to UIF, Medical and Pension Funds	8 773	-
Backpay	20 740	-
	913 708	876 732

Corporate and human resources (corporate services): M. Eilerd

Annual Remuneration	640 661	530 704
Car Allowance	180 000	165 000

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Figures in Rand	2014	2013
31. Employee related costs (continued)		
Contributions to UIF, Medical and Pension Funds	9 906	3 287
Acting Allowance	8 753	16 711
Backpay	19 820	-
	859 140	715 702
Remuneration of director: Community Services: T.H. Matlhare		
Acting allowance	-	4 428
Annual Remuneration	774 740	761 577
Car Allowance	100 800	129 600
Contributions to UIF, Medical and Pension Funds	8 686	2 380
Backpay	20 740	-
	904 966	897 985
Finance and economics development: K.K. Teise		
Acting allowance	5 668	86 151
Annual Remuneration	636 270	468 966
Car Allowance	140 964	169 764
Contributions to UIF, Medical and Pension Funds	9 268	44 058
Housing allowance	-	9 132
Cellphone allowance	1 600	-
Performance Bonuses	-	40 790
	793 770	818 861
32. Remuneration of councillors		
Executive committee members	1 706 607	1 677 039
Councillors	919 385	887 173
Executive Mayor	716 270	704 231
Speaker	561 330	551 603
	3 903 592	3 820 046

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32. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor, Deputy 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 Executive Mayor has use of a Council owned vehicle for official duties.

Mayor: S Mosikasi

Councillor allowance	465 897	445 966
Backpay	-	17 471
Backpay - cellphone allowance	-	1 038
Municipal contribution	69 885	66 895
Transport allowance	134 057	128 233
Cellphone allowance	39 828	38 098
Skills Development Levy	6 603	6 530
	716 270	704 231

Speaker: S.B. Gaobusiwe

Councillor allowance	373 030	356 824
Backpay	-	13 977
Backpay - cellphone allowance	-	516
Municipal contribution	55 954	53 524
Transport allowance	107 245	102 586
Cellphone allowance	19 872	19 012
Skills Development Levy	5 229	5 164
	561 330	551 603

Executive committee member: G.C. Assegaai

Councillor allowance	309 050	236 552
Backpay	-	8 016
Backpay - cellphone allowance	-	192
Transport allowance	-	59 137
Cellphone allowance	7 476	7 156
Skills Development Levy	3 126	2 957
	319 652	314 010

Executive committee member: O.E. Hantise

Councillor allowance	257 102	246 012
Backpay	-	8 317
Backpay - cellphone allowance	-	192
Transport allowance	64 275	61 503
Cellphone allowance	7 476	7 156
Skills Development Levy	3 112	3 073
	331 965	326 253

Executive committee member: M.E. Mochwari

Councillor allowance	349 715	334 580
Backpay	-	13 054
Backpay - cellphone allowance	-	516
Municipal contribution	52 457	50 187

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32. Remuneration of councillors (continued)		
Transport allowance	100 543	96 191
Cellphone allowance	19 872	19 012
Skills Development Levy	4 908	4 848
	527 495	518 388
Executive committee member: O.C. Mogodi		
Councillor allowance	334 689	319 554
Backpay	-	13 054
Backpay - cellphone allowance	-	516
Municipal contribution	50 203	47 933
Medical aid contribution	17 280	17 280
Transport allowance	100 543	96 191
Cellphone allowance	19 872	19 012
Skills Development Levy	4 908	4 848
	527 495	518 388
Councillor: V. Makoke		
Councillor allowance	179 521	140 414
Backpay	-	33 729
Backpay - cellphone allowance	-	324
Municipal contribution	26 928	21 062
Transport allowance	51 612	40 369
Cellphone allowance	12 396	11 856
Unemployment Insurance Fund	-	624
Skills Development Levy	2 530	2 338
	272 987	250 716
Councillor - A. Mwembo		
Councillor allowance	160 869	153 879
Backpay	-	5 247
Backpay - cellphone allowance	-	324
Transport allowance	40 217	38 470
Cellphone allowance	12 396	11 856
Unemployment Insurance Fund	-	624
Skills Development Levy	1 984	1 962
	215 466	212 362
Councillor: J. Rakoi		
Councillor allowance	139 886	133 808
Backpay	-	5 242
Backpay - cellphone allowance	-	324
Provident fund contribution	20 983	20 071
Transport allowance	40 217	38 470
Cellphone allowance	12 396	11 856
Unemployment Insurance Fund	-	624
Skills Development Levy	1 984	1 962
	215 466	212 357
Councillor: A. Van Der Westhuizen		
Councillor allowance	160 869	153 879

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Figures in Rand	2014	2013
32. Remuneration of councillors (continued)		
Backpay	-	5 247
Backpay - cellphone allowance	-	324
Transport allowance	40 217	38 470
Cellphone allowance	12 396	11 856
Skills Development Levy	1 984	1 962
	215 466	211 738
33. Depreciation and amortisation		
Property, plant and equipment	2 862 403	2 654 575
Intangible assets	125 837	86 702
	2 988 240	2 741 277
34. Finance costs		
Long-term liabilities	71 625	180 351
Late payment of tax	-	1 666
Non-current employee benefits	1 873 050	1 555 965
	1 944 675	1 737 982
35. Debt impairment		
Contributions to debt impairment provision	2 407	4 921
Debt impairment	3 300	1 124 750
	5 707	1 129 671
A provision for doubtful debt was recorded for long outstanding debt at year end		
36. Repairs and maintenance		
Repairs and maintenance consists of:		
Buildings	536 214	291 112
Equipment	134 024	196 672
Service agreements	684 968	599 159
Vehicles	119 578	141 364
Electronic system	60 000	-
Removal expenses	-	10 440
	1 534 784	1 238 747
37. Grants and subsidies paid		
Other subsidies		
Public participation	-	4 990

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Figures in Rand	2014	2013
38. General expenses		
Actuarial loss	2 480 576	162 411
Advertising	162 053	167 673
Assessment rates & municipal charges	124 425	117 847
Auditors remuneration	2 659 837	2 164 516
Bank charges	44 532	54 222
Capacity building	103 752	297 850
Catering	232 872	153 961
Commission paid	353 521	201 380
Communications	295 712	85 693
Community development and training	178 156	102 112
Conferences and seminars	271 806	31 110
Consulting and professional fees	3 596 343	183 561
Disaster assistance	169 087	-
Electricity	472 522	503 246
Exhibitions	91 003	75 525
Fines and penalties	-	57 696
Fuel and oil	483 923	267 116
HIV/Aids council	14 338	53 268
Health and occupational awareness	114 178	90 134
ISRDP/IMBIZO events	-	54 482
Insurance costs	315 620	538 199
Library usage	-	6 915
Magazines, books and periodicals	3 164	6 646
Maintenance	294 731	-
Membership Fees	464 195	53 174
Pest control	6 520	588
Postage and courier	6 602	9 173
Printing and stationery	307 148	217 002
Project maintenance costs	5 518 112	4 151 430
Records management	3 612	9 231
Security services	371 857	507 773
Staff welfare	4 400	16 343
Tea and cleaning	300 424	86 868
Telephone and fax	750 729	930 159
Tourism events	113 782	91 448
Training	367 770	203 720
Uniforms	14 407	7 377
Water	2 583 218	55 243
	23 274 927	11 715 092

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39. (Loss) gain on sale of assets and liabilities

(Loss) gain on sale of assets and liabilities consist of the following:

Biological assets	-	(8 561)
Intangible assets	-	(283)
Property, plant and equipment	(380 582)	(58 235)
Non-current assets held for sale	(143 002)	(185 137)
	(523 584)	(252 216)

40. Fair value adjustments

Investment property - Fair value model	585 000	130 000
Biological assets - Fair value model	1 290 250	-
	1 875 250	130 000

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Figures in Rand	2014	2013
41. Cash (used in) / generated from operations		
(Deficit) surplus	(5 278 369)	1 706 871
Adjustments for:		
Depreciation and amortisation	2 988 240	2 741 279
Gain on sale of assets and liabilities	523 584	252 216
Fair value adjustments	(1 875 250)	(130 000)
Debt impairment	5 707	1 129 671
Movements in retirement benefit assets and liabilities	4 300 181	1 676 274
Changes in working capital:		
Receivables from exchange transactions	(87 544)	(1 437 407)
Other receivables from non-exchange transactions	75 194	150 951
Payables from exchange transactions	3 995 134	(2 171 227)
VAT	(3 689 455)	455 991
Unspent conditional grants and receipts	(673 425)	1 441 664
	283 997	5 816 283

42. Contingencies

A former employee of the municipality, B M Olivier, accused the municipality of breaching the terms of the employment agreement with regard to the termination benefits.

During the current year, the case was settled in the Labour Court. In terms of the agreement reached, the municipality paid R1 000 000 to B M Olivier. Therefore, no further disclosure of a contingent liability with regards to this case is necessary.

No other contingent liabilities have been identified.

	2014	2013
Severance Benefit - B M Olivier	-	6 761 291

43. Related parties

Compensation of key management personnel

The compensation of key management personnel is set out in note 31 to the Annual Financial Statements.

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

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44. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Long-term liabilities	395 122	395 122	1 185 368	1 185 368
Trade and other payables				
• Unspent conditional grants and receipts	9 404 674	-	-	-
• Payables from exchange transactions	8 155 979	-	-	-
At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
• Long-term liabilities	399 124	399 124	1 197 369	1 727 514
Trade and other payables				
• Unspent conditional grants and receipts	170 453	-	-	-
• Payables from exchange transactions	4 660 253	-	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2014	2013
Receivables from exchange transactions	4 014 406	3 012 929
Receivables from non-exchange transactions	3 469 342	152 503
Cash and cash equivalents	34 617 217	37 658 659

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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44. Risk management (continued)

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 100% of its borrowings in fixed rate instruments. During 2014 and 2013, the municipality's borrowings at variable rate were denominated in the Rand.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Price risk

The municipality is not exposed to price risk

45. Going concern

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

46. Events after the reporting date

Management is not aware of any events after the reporting date.

47. Unauthorised expenditure

Opening balance	5 972 329	5 587 123
Unauthorised expenditure current year	5 058 328	385 206
	11 030 657	5 972 329

Unauthorised expenditure is a result from over expenditure of the approved budget and no disciplinary steps or criminal proceedings have been undertaken.

48. Fruitless and wasteful expenditure

Opening balance	870 104	766 435
Fruitless and wasteful expenditure current year	36 773	103 669
	906 877	870 104

The current year fruitless and wasteful expenditure occurred for various reasons, including travel costs for travel not undertaken due to illness and courses cancelled, penalties and interest due to infringement of credit terms, printing fees while municipal printer was awaiting repair and reprinting of vehicle ownership certificates. No action was taken against the responsible persons.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

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Figures in Rand	2014	2013
49. Irregular expenditure		
Opening balance	61 072 688	61 024 225
Add: Irregular expenditure current year	39 513	48 463
	61 112 201	61 072 688

Analysis of expenditure awaiting condonation per age classification

Current year	39 513	-
Prior years	61 072 688	-
	61 112 201	-

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Steiner Hygeine - no contract in place	Ongoing investigations are taking place	39 171
Bytes Document Solutions - scanner and printer not working	Ongoing investigations are taking place	342
		39 513

50. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2009 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

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

The items referred to above for the year ending 30 June 2014 are as follows:

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Notes to the Annual Financial Statements

Figures in Rand			2014	2013
50. Deviation from supply chain management regulations (continued)				
Order No	Item Description	Vendor	Amount	Reasons for Deviation
47321	Electric System trip at Basic Service and Infrastructure.	Ronville Electrical	2 572	Exceptional: The only service provider whose tax matters are in order.
47331	Water Samples	Spangenberg Laboratory Service	5 016	Sole Provider: The only Laboratory in Kuruman
47332	Water Samples	Spangenberg Laboratory Service	2 451	Sole Provider: The only Laboratory in Kuruman
47336	Extension of Scope: Financial Management System Support	Sebata Municipal Solutions	250 000	Impractical: The municipality is using Sebata FMS
47339	Repair lights, skirting and install spotlight at Mainbuilding and Disaster Management Unit	Ronville Electrical	7 295	Sole Provider: The only service provider whose tax matters are in order
47337	Placements of adverts as per quotation	DFA	7 833	Exceptional: Advert needed to be placed on locally circulating newspapers
47376	Adverts to be placed for Bids and Risk Management committee Chairperson	DFA	9 859	Exceptional: Advert needed to be placed on that particular local newspaper
51392	Registration Fee Certificate: Development Communication	Wits	12 000	Impractical: The people enroll with any institution that is suitable for them
51459	Cleaning carpets and chairs in Council Chamber	Decorcare and Blinds	4 000	Sole Provider: The only service provider who's registered on the database for this particular work
47546	Auction of Vehicle	Izazi Retailers 138 cc	13 875	Impractical: The service provider is the manufacturer of Fire fighting equipment
47555	Milk Samples	Spangenberg Laboratory	2 451	Sole Provider: The only Laboratory in Kuruman
47556	Water Samples	Spangenberg Laboratory	3 455	Sole Provider: The only Laboratory in Kuruman
47571	Wall Pictures	Rootz Art Gallery	24 000	Impractical: The only service provider in Kuruman
47576	A4 Laser Payslips	Lithotech Sales	2 307	Impractical: The only service provider that supplies payslips in the database
47589	Requisition Books	Tech Supplies	4 021	Exceptional: The only service provider that can supply required items in Kuruman
47582	Repair Air-cons at Main building and Information Centre	Ronville Electrical	5 535	Impractical: The only electrician registered in the database with a valid tax clearance certificate
47596	Accommodation	Peermont Hotels	2 745	Impractical: The meeting was held at Peermont Hotel

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Notes to the Annual Financial Statements

Figures in Rand			2014	2013
50. Deviation from supply chain management regulations (continued)				
47597	Public Sector Forum	Institute of Internal Auditors (IIA)	5 187	Impactical: The forum was organized by IIA
74567	Epson LQ 800 Ribbon for Cheque Printer	URB	2 315	Impactical: The only supplier listed in the database
74691	Labour Court Case	Werkman Incorporated	1 000 000	Exceptional: Dispute concerning the payment of a severance benefit to B M Olivier
47404	Replacement of wheels	First Defence	530	Impactical: Only service provide who could assist at the time needed
47417	Audit fees	Masengviljoen INC	174 300	Exceptional: to request management to outsource the Audit of Performance Information to an external auditing and accounting firm
47409	Pop up box VGA cable in Chamber	DDL Systems CC	4 419	Impactical: Only service provider who could fix the cable projector in Council Chamber in Kuruman
47408	Control Unit for Chamber	Congress Rental	13 767	Exceptional: The service provider that installed the sound equipment previously
47455	Water samples	Spangenberg lab	5 016	Exceptional: Only service provider in Kuruman
47456	Milk samples	Spangenberg lab	2 451	Exceptional: Only service provider in Kuruman
51498	Cleaning committee rooms chairs and Council Chamber	Florcare	1 320	Impactical: Only provider whose tax matters are in order
51499	Milk samples	Spangenberg lab	2 451	Exceptional: Only service provider in Kuruman
51501	Registration fee	IMFO	16 400	Exceptional: Registered Institution specifically for Municipalities
51504	Booking of flight and car	Travels Travel	5 558	Impactical: Only service provider that the Municipality is using in this case
74628	Purchase:Bacteriological testing	Purchase:Bacteriological testing	7 957	Only supplier within the 250km radius
74625	Purchase:Sercing of cars	Oranje Toyota	4 862	Impactical: The vehicles can only be serviced by the Toyota dealership
74593	Purchase:Cemwash Hazelnut(25kg)	Sean Blake	28 053	Exceptional:Only supplier to offer this type of product
74598	Purchase:CPMD Training	Wits Business School	227 500	Exceptional:Only supplier to offer his course
74598	Purchase: 108R00823 Staples Box	Xerox	570	Exceptional:Only service provider for Xerox fax machine at registry
47578	Repair: Aircons at the Main Building and Information Centre	Lithotech Sales	2 307	Exceptional:Only service provider that supply laser payslips
74691	Purchase:Settlement (B.N.Olivier)	Werksman Attorneys	1 000 000	Exceptional:Settlement
74689	Purchase: Legal costs	Neville Cloete Attorneys	122 540	Exceptional:Attorneys appointed for B.N. Olivier's case
74703	Purchase: Advert:Audit committee	Media 24(City Press)	29 686	Exceptional:Only supplier to assist at short notice
74654	Purchase:Breakfast session	Media 24 (Kalahari Bulletin)	2 242	Exceptional:Only service provider that could print for the intended public
47718	University of Witwater srand	Training : Certificate in Municipal Finance Management	182 000	New enrollment for previous training with same service
47720	Windmill Casino	Bed & Breakfast for R Goliath , M Paxinos , E Menge and L Molale ale from 08-11/06/14	11 275	Sabata Meeting was held at Windmill Casino

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand		2014	2013
50. Deviation from supply chain management regulations (continued)			
47727	City Press	Advert to be placed in the City Press : Re - Advertisement of Bids 28/2013/14 and 29/2013/14	20 274 Advert to be placed in the City Press
47737	Gamohaam Delta	Cover + Roll Bar for 03JTGDM NC	3 890 Only Service Provider that can help us with service
47743	Spangenberg Laboratory	Water Samples	5 335 Only supplier in radius of 250km
47744	Spangenberg Laboratory	Milk Samples	2 622 Only supplier in radius of 250km
47745	South African Nursing Council	Registration Fee for Flora Gwai	2 060 The only professional body
47758	Florcare & Blinds	Cleaning of Chairs & Carpets of Council Chamber , Municipal Manager, Speaker & Mayor's Officer's	2 998 Only service provider in town
47621	Intelligence Transfer Centre	Conference:Legal and Financial Compliance for Government & SOE's	7 999 Continuation of the first annual conferences
47643	Tuinhuis	Plants for Municipal Garden in front of the Chamber of J. Gaetsewe DM	4 014 Only service provider with the plants needed.
47636	NOSA	Training : SHE Principles Procedure	4 920 Impractical to follow SCM Procedures.
			<u>3 266 233</u>

51. Comparative figures

Certain comparative figures have been reclassified.

The municipality pays thirteenth cheques to employees based on their monthly salaries during November each year. As the uncertainty relating to the timing and the amount of bonuses paid after year end is low, an accrual is raised instead of a provision. The provision provided for in the annual financial statements for the prior year has therefore been reclassified as an accrual in the current year's annual financial statements.

An amount relating to the water monitoring done on behalf of the local municipalities has been identified as being included with the unspent grants in the prior year. The amount does not relate to grants received, and has been reclassified to be included with the payables from exchange transactions.

The Expanded Public Works Programme Incentive Grant was incorrectly split in the prior year, with a portion disclosed as Batharos Paving. This resulted in an amount of R74 009 being disclosed as a receivable from non-exchange transactions, when it should have formed part of an unpaid grant of R117 848. This has been corrected in the current year.

The actuarial costs of R162 411 and the project costs of 4 012 713 was disclosed together with the general expenditure on the statement of financial performance during the current year.

The current portion of the employee benefit obligations of R854 376 was disclosed separately on the statement of financial position in the current year. In the prior year this amount was disclosed with the payables from exchange transactions.

An amount of R72 576 for remuneration of councillors was disclosed as personnel costs. The classification for this was corrected in the current year.

The effects of the reclassification are as follows:

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
51. Comparative figures (continued)		
Statement of financial position		
Receivables from non-exchange transactions	-	(74 009)
Payables from exchange transactions	-	(425 259)
Current portion of employee benefit obligations	-	(854 376)
Provisions	-	1 385 651
Unspent conditional government grants and receipts	-	(32 007)
Statement of Financial Performance		
General expenses	-	4 175 124
Actuarial losses	-	(162 411)
Project costs	-	(4 012 713)

52. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following:

- A new policy was implemented by the municipality to calculate the allowance for doubtful debts. This policy provides clear guidelines on the percentages to be applied to each category of debtors in order to calculate a reliable allowance for doubtful debts.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2013 is as follows:

Statement of financial position

Receivables from exchange transactions	-	4 131 403
Opening Accumulated Surplus or Deficit	-	(656 838)

Statement of Financial Performance

Debt impairment	-	(3 474 565)
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53. Prior period errors

A VAT verification was performed during the current year. During the performance of the verification, input VAT amounts were identified which were not correctly accounted for and not claimed from SARS. These errors amounted to R69 489 in the prior year and R36 678 in the year ending 30 June 2012.

It was discovered that a motor vehicle included with the non-current assets held for sale, with a value of R315 137, was sold during the prior year. The proceeds were correctly accounted for, but the asset was not derecognised.

In the prior year, a change in accounting estimate was incorrectly accounted for as a prior period error instead of a change in accounting estimate. In the current year, this error was corrected. In the year ended 30 June 2012, this resulted in a decrease of depreciation and an increase of property, plant and equipment to the value of R1 280 132. In the year ending 30 June 2013, this resulted in a decrease of depreciation and an increase of property plant and equipment to the value of R227 645.

An amount relating to recoveries of expenses incurred for the housing projects was incorrectly treated as a grant in the prior years. This resulted in an unspent grant amount of R2 169 759 being carried forward from the prior year and R1 697 869 being carried forward from the year ending 30 June 2012. The movement in the unspent grant for the prior year was therefore R471 890.

Payments of prior year expenses were also identified, for which no accrual was raised in the year ending 30 June 2013. The error amounted to R381,634.

Items treated as grants in the prior year were identified as incorrect. These items, which amounted to R2 381 791, were not grants, and the treatment thereof was corrected in the current year. Government grant income to the value of R2 203 742 was affected by this.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand 2014 2013

53. Prior period errors (continued)

The correction of the errors results in adjustments as follows:

Statement of financial position

Property, plant and equipment	-	(983 102)
Intangible assets	-	(69 385)
Receivables from exchange transactions	-	450
Non-current assets held for sale	-	(315 137)
Payables from exchange transactions	-	(512 844)
Unspent grants	-	2 381 791
VAT Payable	-	141 890
Opening Accumulated Surplus or Deficit	-	(454 415)

Statement of Financial Performance

Recoveries	-	(2 664 082)
Administration and management fees	-	(11 550)
Government grants and subsidies	-	(2 203 742)
Personnel costs	-	(259 297)
Repairs and maintenance	-	6 342
Depreciation expense	-	(227 645)
General Expenses	-	448 105
Gain on disposal of assets and liabilities	-	315 137

54. Actual operating expenditure versus budgeted operating expenditure

The significant differences between the budgeted and actual amounts per the Appropriation Statements are as follows:

Rental Facilities: Rental agreements were reviewed after the adjustment budget.

Interest received: A different investment method was used and banks competed and gave better interest rates.

Administration and management fees: Shared service fees were not paid by two local municipalities.

Remuneration of councillors: The implementation of the upper limits of the remuneration of councillors per the circular.

Repairs and maintenance: Unplanned repairs and maintenance to the buildings took place, including various repairs on aircons and burglar doors and bars.

General expenses: The procurement took place late in the financial year, and were disclosed as commitments at year end.

Loss on disposal of assets and liabilities: Assets which no longer exist were identified at year end and were written off.

55. Actual capital expenditure versus budgeted capital expenditure

The significant differences between the budgeted and actual amounts per the Appropriation Statements are as follows:

Executive & Council/Mayor and Council: Various computer equipment reached the end of its useful life, and had to be replaced. All capital expenditure is budgeted as Finance & Admin/Finance.

Community & Social/Libraries & archives: The procurement took place late in the year, and were disclosed as commitments at year end.

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand

2014

2013

56. Commitments

Authorised commitments made before year end consist of:

Orders for various operating expenses	223 664	-
Bid 12/2013/14 - Supply and delivery of cement and crusher dust	746 148	-
Bid 17/2013/14 - Construction of emergency exit door at the council chamber	23 000	-
Bid 16/2013/14 - Bulk Water Services and Sanitation Assessment	2 204 304	-
Bid 18/2013/14 - Development of Integrated Transport Plan	2 197 897	-
Bid 20/2013/14 - Proposal for feasibility study for establishment of JTG Development Agency	467 548	-
Bid 27/2013/14 - Supply and delivery of high pressure fire fighting skid units	384 510	-
Bid 23/2013/14 - Housing Demand Database Survey	671 931	-
Bid 24/2013/14 - Consultancy of establish needs of targeted groups, development of youth unemployment database and intervention programme/projects	495 199	-
Bid 26/2013/14 - Supply and installation and maintenance of toilet refresheners and other accessories	188 119	-
Contract for Financial systems support	294 515	530 127
Contract for Accounting and professional services	333 375	-
Contract for Document management system license fees	64 738	453 169
Contract for Lease of building	28 446	25 255
Contract for Rural road asset management	3 571 591	-
Contract for Short term insurance	718 107	-
Contract for Team Mate maintenance	55 952	-
Contract for Constructing link for rural water programme	5 347 221	16 041 663
Contract for Maintenance of information centre screen	56 667	-
Contract for Security services	994 400	-
Contract for Review of annual financial statements	90 000	-
	19 157 332	17 050 214

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JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2014

	2014/2013				2013/2012										
	Original Budget	Budget Adjustments (i.e. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.e. s31 of the MFMA)	Virement (i.e. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Executive and council	50 743 000	644 000	51 387 000	-	-	46 918 826	(5 468 175)	89 %	90 %						58 705 758
Budget and treasury office	21 102 000	423 000	21 525 000	-	-	13 171 896	(8 353 104)	61 %	62 %						5 351 660
Corporate services	11 038 000	646 000	11 684 000	-	-	24 917 378	13 233 378	213 %	226 %						53 278 698
Community and public safety	18 603 000	(425 000)	18 178 000	-	-	7 829 551	(10 348 449)	43 %	42 %						76 398
Community and social services	15 107 000	1 466 000	16 573 000	-	-	17 309 697	738 697	104 %	115 %						2 815 145
Public safety	3 321 000	124 000	3 445 000	-	-	12 600	(3 432 400)	DIVD %	DIVD %						1 557 161
Housing	4 218 000	1 342 000	5 560 000	-	-	2 701 218	(2 858 782)	78 %	81 %						22 092
Health	7 568 000	-	7 568 000	-	-	9 308 156	1 740 156	167 %	221 %						948 140
Economic and environmental services	13 743 000	8 127 000	21 870 000	-	-	5 287 723	(2 280 277)	70 %	70 %						16 054
Planning and development	13 743 000	8 127 000	21 870 000	-	-	5 466 416	(16 403 584)	25 %	40 %						5 572 549
Trading services	-	-	-	-	-	4 263 898	4 263 898	DIVD %	DIVD %						11 550
Water	-	-	-	-	-	4 263 898	4 263 898	DIVD %	DIVD %						11 550
Other	-	-	-	-	-	6 096 377	6 096 377	DIVD %	DIVD %						-
	-	-	-	-	-	6 096 377	6 096 377	DIVD %	DIVD %						86 024
Total Revenue - Standard	79 693 000	10 237 000	89 930 000	-	-	79 055 213	(10 774 787)	88 %	88 %						67 192 024

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Appendix G1

Budgeted Financial Performance (revenue and expenditure by standard classification) for the year ended 30 June 2014

	2014/2013				2013/2012										
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	50 511 000	601 000	51 112 000	-	-	51 112 000	54 002 226	-	2 890 226	106 %	107 %	-	-	-	41 076 741
Executive and council	20 870 000	353 000	21 223 000	-	-	21 223 000	22 471 514	-	1 248 514	106 %	108 %	-	-	-	17 839 498
Budget and treasury office	11 039 000	846 000	11 884 000	-	-	11 884 000	13 657 271	-	1 773 271	115 %	124 %	-	-	-	10 074 540
Corporate services	18 603 000	(598 000)	18 005 000	-	-	18 005 000	17 873 441	-	(131 559)	99 %	96 %	-	-	-	13 162 703
Community and public safety	16 339 000	2 709 000	19 048 000	-	-	19 048 000	13 754 251	-	(4 293 749)	78 %	80 %	-	-	-	14 781 893
Community and social services	232 000	2 242 000	2 474 000	-	-	2 474 000	941 964	-	(1 532 036)	38 %	406 %	-	-	-	761 115
Sport and recreation	-	-	-	-	-	-	7 125	-	7 125	DIV/0 %	DIV/0 %	-	-	-	271 688
Public safety	3 875 000	(206 000)	3 669 000	-	-	3 669 000	3 389 137	-	(279 863)	92 %	87 %	-	-	-	2 955 406
Housing	4 218 000	426 000	4 644 000	-	-	4 644 000	3 040 946	-	(1 603 054)	65 %	72 %	-	-	-	4 111 202
Health	7 014 000	247 000	7 261 000	-	-	7 261 000	6 375 079	-	(885 921)	88 %	91 %	-	-	-	6 692 482
Economic and environmental services	13 743 000	6 927 000	20 670 000	-	-	20 670 000	6 329 657	-	(14 340 343)	31 %	46 %	-	-	-	3 347 204
Planning and development	13 743 000	6 927 000	20 670 000	-	-	20 670 000	6 329 657	-	(14 340 343)	31 %	46 %	-	-	-	3 347 204
Trading services	-	-	-	-	-	-	2 683 223	-	2 683 223	DIV/0 %	DIV/0 %	-	-	-	11 550
Water	-	-	-	-	-	-	2 683 223	-	2 683 223	DIV/0 %	DIV/0 %	-	-	-	11 550
Other	-	-	-	-	-	-	6 532 612	-	6 532 612	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	6 532 612	-	6 532 612	DIV/0 %	DIV/0 %	-	-	-	5 675 228
Total Expenditure - Standard	79 693 000	10 237 000	89 930 000	-	-	89 930 000	83 301 969	-	(6 628 031)	93 %	105 %	-	-	-	64 892 614
Surplus/(Deficit) for the year	-	-	-	-	-	(4 246 756)	(4 246 756)	-	(4 246 756)	DIV/0 %	DIV/0 %	-	-	-	2 299 410

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Appendix G2

Budgeted Financial Performance (revenue and expenditure by municipal vote) for the year ended 30 June 2014

2014/2013

2013/2012

	Original Budget		Budget Adjustments (i.t.o. s28 and s31 of the MIFMA)		Final Budget		Shifting of funds (i.t.o. s31 of the MIFMA)		Virement (i.t.o. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MIFMA		Balance to be recovered		Restated Audited Outcome						
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand					
Revenue by Vote																																			
Vote 1 - Executive and Council/Mayor and Council	12 365 000	423 000	12 778 000	-	12 778 000	8 856 000	8 856 000	-	-	-	8 856 000	8 856 000	69 %	72 %																					
Vote 2 - Executive & Council/Municipal Manager	8 747 000	-	8 747 000	-	8 747 000	4 556 000	4 556 000	-	-	-	4 556 000	4 556 000	52 %	52 %																					
Vote 3 - Budget & Treasury Office	11 038 000	646 000	11 684 000	-	11 684 000	24 413 000	24 413 000	-	-	-	24 413 000	24 413 000	209 %	221 %																					
Vote 4 - Corporate Services	18 603 000	(425 000)	18 178 000	-	18 178 000	8 782 000	8 782 000	-	-	-	8 782 000	8 782 000	48 %	47 %																					
Vote 5 - Planning & Development	13 743 000	8 127 000	21 870 000	-	21 870 000	16 176 000	16 176 000	-	-	-	16 176 000	16 176 000	74 %	118 %																					
Vote 6 - Health	7 568 000	-	7 568 000	-	7 568 000	5 288 000	5 288 000	-	-	-	5 288 000	5 288 000	70 %	70 %																					
Vote 7 - Community & Social Services	4 218 000	1 342 000	5 560 000	-	5 560 000	6 459 000	6 459 000	-	-	-	6 459 000	6 459 000	DIV/0 %	DIV/0 %																					
Vote 8 - Housing	3 321 000	124 000	3 445 000	-	3 445 000	2 701 000	2 701 000	-	-	-	2 701 000	2 701 000	78 %	153 %																					
Vote 9 - Public Safety	79 593 000	10 237 000	89 830 000	-	89 830 000	77 231 000	77 231 000	-	-	-	77 231 000	77 231 000	86 %	97 %																					
Total Revenue by Vote																																			
Expenditure by Vote to be appropriated																																			
Vote 1 - Executive and Council/Mayor and Council	12 123 000	433 000	12 556 000	-	12 556 000	15 691 000	15 691 000	-	-	-	15 691 000	15 691 000	125 %	129 %																					
Vote 2 - Executive & Council/Municipal Manager	8 747 000	(60 000)	8 687 000	-	8 687 000	7 412 000	7 412 000	-	-	-	7 412 000	7 412 000	86 %	85 %																					
Vote 3 - Budget & Treasury Office	11 038 000	846 000	11 884 000	-	11 884 000	12 846 000	12 846 000	-	-	-	12 846 000	12 846 000	108 %	116 %																					
Vote 4 - Corporate Services	18 603 000	(598 000)	18 005 000	-	18 005 000	18 458 000	18 458 000	-	-	-	18 458 000	18 458 000	103 %	99 %																					
Vote 5 - Planning & Development	13 743 000	6 927 000	20 670 000	-	20 670 000	19 308 000	19 308 000	-	-	-	19 308 000	19 308 000	93 %	140 %																					
Vote 6 - Health	7 014 000	247 000	7 261 000	-	7 261 000	6 389 000	6 389 000	-	-	-	6 389 000	6 389 000	88 %	91 %																					
Vote 7 - Community & Social Services	232 000	2 242 000	2 474 000	-	2 474 000	977 000	977 000	-	-	-	977 000	977 000	39 %	421 %																					
Vote 8 - Housing	4 218 000	426 000	4 644 000	-	4 644 000	3 184 000	3 184 000	-	-	-	3 184 000	3 184 000	69 %	75 %																					
Vote 9 - Public Safety	3 875 000	(206 000)	3 669 000	-	3 669 000	3 390 000	3 390 000	-	-	-	3 390 000	3 390 000	82 %	87 %																					
Total Expenditure by Vote																																			
Surplus/(Deficit) for the year																																			

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013				2013/2012										
	Original Budget	Budget Adjustments (l.t.o. s28 and s31 of the MFMA)	Final budget adjustments (l.t.o. s28 and s31 of the MFMA)	Shifting of funds (l.t.o. s31 of the MFMA)	Virement (l.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Rental of facilities and equipment	60 000	5 000	65 000	-	-	65 000	74 206	9 206	114 %	124 %					76 628
Interest earned - external investments	1 000 000	500 000	1 500 000	-	-	1 500 000	2 789 198	1 289 198	186 %	279 %					1 847 640
Transfers recognised - operational	70 671 000	8 889 000	79 527 000	-	-	79 527 000	43 310 346	(36 216 654)	54 %	61 %					4 999 905
Other revenue	7 861 000	677 000	8 538 000	-	-	8 538 000	31 021 768	22 483 768	363 %	395 %					60 725 788
Gains on disposal of PPE	-	200 000	200 000	-	-	200 000	(623 584)	(723 584)	(262)%	DIV/0 %					(252 217)
Total Revenue (excluding capital transfers and contributions)	79 592 000	10 236 000	89 830 000	-	-	89 830 000	76 671 934	(13 158 066)	85 %	96 %					66 797 144

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

2014/2013

2013/2012

Expenditure By Type	Original Budget		Budget Adjustments (i.t.o. s28 and s31 of the MFMA)		Final Adjustments budget		Shifting of funds (i.t.o. s31 of the MFMA)		Virement (i.t.o. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments Budget		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome	
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Employee related costs	51 418 000	2 568 000	53 986 000	-	-	53 986 000	48 298 379	-	-	-	53 986 000	48 298 379	-	(5 687 621)	89 %	94 %	-	-	-	-	-	-	-	-	-	-	-	-	-	42 702 470
Remuneration of councillors	4 563 000	-	4 563 000	-	-	4 563 000	3 903 592	-	-	-	4 563 000	3 903 592	-	(659 408)	86 %	86 %	-	-	-	-	-	-	-	-	-	-	-	-	-	3 820 046
Debt impairment	-	-	-	-	-	-	5 707	-	-	-	-	5 707	-	5 707	DIV/0 %	DIV/0 %	-	-	-	-	-	-	-	-	-	-	-	-	-	1 129 871
Depreciation & asset impairment	827 000	(10 000)	817 000	-	-	817 000	2 988 239	-	-	-	817 000	2 988 239	-	2 171 239	366 %	361 %	-	-	-	-	-	-	-	-	-	-	-	-	-	2 741 278
Finance charges	585 000	(250 000)	335 000	-	-	335 000	1 944 675	-	-	-	335 000	1 944 675	-	1 609 675	581 %	581 %	-	-	-	-	-	-	-	-	-	-	-	-	-	1 737 982
Transfers and grants	65 000	1 968 000	2 033 000	-	-	2 033 000	-	-	-	-	2 033 000	-	-	(2 033 000)	- %	- %	-	-	-	-	-	-	-	-	-	-	-	-	-	4 990
Other expenditure	22 134 000	5 952 000	28 086 000	-	-	28 086 000	24 809 712	-	-	-	28 086 000	24 809 712	-	(3 286 288)	88 %	112 %	-	-	-	-	-	-	-	-	-	-	-	-	-	12 953 833
Total Expenditure	79 592 000	10 238 000	89 830 000	-	-	89 830 000	81 950 304	-	-	-	89 830 000	81 950 304	-	(7 879 696)	91 %	103 %	-	-	-	-	-	-	-	-	-	-	-	-	65 090 270	
Surplus/(Deficit)	-	-	-	-	-	-	(5 278 370)	-	-	-	(5 278 370)	(5 278 370)	-	(5 278 370)	DIV/0 %	DIV/0 %	-	-	-	-	-	-	-	-	-	-	-	-	1 706 874	
Surplus/(Deficit) after capital transfers & contributions	-	-	-	-	-	-	(5 278 370)	-	-	-	(5 278 370)	(5 278 370)	-	(5 278 370)	DIV/0 %	DIV/0 %	-	-	-	-	-	-	-	-	-	-	-	-	1 706 874	
Surplus/(Deficit) after taxation	-	-	-	-	-	-	(5 278 370)	-	-	-	(5 278 370)	(5 278 370)	-	(5 278 370)	DIV/0 %	DIV/0 %	-	-	-	-	-	-	-	-	-	-	-	-	1 706 874	
Surplus/(Deficit) attributable to municipality	-	-	-	-	-	-	(5 278 370)	-	-	-	(5 278 370)	(5 278 370)	-	(5 278 370)	DIV/0 %	DIV/0 %	-	-	-	-	-	-	-	-	-	-	-	-	1 706 874	
Surplus/(Deficit) for the year	-	-	-	-	-	-	(5 278 370)	-	-	-	(5 278 370)	(5 278 370)	-	(5 278 370)	DIV/0 %	DIV/0 %	-	-	-	-	-	-	-	-	-	-	-	-	1 706 874	

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2014

	2014/2013										2013/2012																					
	Original Budget		Budget Adjustments (i.e. s28 and s31 of the MFMA)		Final adjustments budget		Shifting of funds (i.e. s31 of the MFMA)		Virement (i.e. Council approved policy)		Final Budget		Actual Outcome		Unauthorised expenditure		Variance of Actual Outcome against Adjustments Budget		Actual Outcome as % of Final Budget		Actual Outcome as % of Original Budget		Reported unauthorised expenditure		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Restated Audited Outcome			
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote Multi-year expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure																																
Vote 3 - Budget & Treasury Office	2 707 000	-	2 707 000	-	-	-	-	-	-	-	2 707 000	3 005 835	-	288 835	-	111 %	111 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vote 7 - Community & Social Service	400 000	-	400 000	-	-	-	-	-	-	400 000	22 924	-	(377 076)	-	6 %	6 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	3 107 000	-	3 107 000	-	-	-	-	-	-	3 107 000	3 028 759	-	(78 241)	-	97 %	97 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Vote	3 107 000	-	3 107 000	-	-	-	-	-	-	3 107 000	3 028 759	-	(78 241)	-	97 %	97 %	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2014

	2014/2013				2013/2012										
	Original Budget	Budget Adjustments (i.i.o. s28 and s31 of the MFMA)	Final budget adjustments	Shifting of funds (i.i.o. s31 of the MFMA)	Virement (i.l.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	%	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	2 707 000	-	2 707 000	-	-	2 707 000	3 005 835	-	288 835	111 %	111 %	-	-	-	-
Executive and council	-	-	-	-	-	-	130 107	-	130 107	DIV/O %	DIV/O %	-	-	-	-
Budget and treasury office	2 707 000	-	2 707 000	-	-	2 707 000	2 875 728	-	168 728	106 %	106 %	-	-	-	-
Community and public safety	400 000	-	400 000	-	-	400 000	22 924	-	(377 076)	6 %	6 %	-	-	-	-
Community and social services	400 000	-	400 000	-	-	400 000	22 924	-	(377 076)	6 %	6 %	-	-	-	-
Total Capital Expenditure - Standard	3 107 000	-	3 107 000	-	-	3 107 000	3 028 759	-	(78 241)	97 %	97 %	-	-	-	-
Funded by:															
Transfers recognised - capital	-	-	-	-	-	-	-	-	-	DIV/O %	DIV/O %	-	-	-	-
Internally generated funds	3 107 000	-	3 107 000	-	-	3 107 000	-	-	(3 107 000)	- %	- %	-	-	-	-
Total Capital Funding	3 107 000	-	3 107 000	-	-	3 107 000	-	-	(3 107 000)	- %	- %	-	-	-	-

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY

Appendix G5

Budgeted Cash Flows

for the year ended 30 June 2014

2014/2013

2013

	Original Budget		Budget Adjustments (i.e. s28 and s31 of the MFMA)		Final adjustments budget		Final Budget		Actual Outcome		Variance of Actual Outcome against Budget Adjustments		Actual Outcome as % of Budget		Actual Outcome as % of Original Budget		Restated Audited Outcome		
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Cash flow from operating activities																			
Receipts																			
Ratepayers and other	7 921 000		682 000		8 603 000		8 603 000		5 148 695		(3 454 305)		60 %		65 %		62 878 685		
Government - operating	70 671 000		885 500		71 556 500		71 556 500		70 052 803		(1 503 697)		96 %		99 %		4 432 007		
Interest	1 000 000		500 000		1 500 000		1 500 000		-		(1 500 000)		- %		- %		-		
Payments																			
Suppliers and employees	(78 115 000)		(8 530 000)		(86 645 000)		(86 645 000)		(72 594 989)		14 050 011		84 %		93 %		(59 756 333)		
Finance charges	(695 000)		250 000		(335 000)		(335 000)		(1 944 675)		(1 609 675)		581 %		332 %		(1 737 982)		
Transfers and Grants	(65 000)		(1 968 000)		(2 033 000)		(2 033 000)		-		2 033 000		- %		- %		-		
Net cash flow from/used operating activities	827 000		(8 180 500)		(7 353 500)		(7 353 500)		661 834		8 015 334		(9)%		80 %		5 816 277		
Cash flow from investing activities																			
Receipts																			
Proceeds on disposal of PPE	-		200 000		200 000		200 000		259 193		(59 193)		130 %		DIV/0 %		205 438		
Decrease (Increase) in non-current debtors	-		-		-		-		(225 002)		(225 002)		DIV/0 %		DIV/0 %		(315 137)		
Payments																			
Capital assets	(3 107 000)		-		(3 107 000)		(3 107 000)		(3 548 722)		(441 722)		114 %		114 %		(1 218 227)		
Net cash flow from/used investing activities	(3 107 000)		200 000		(2 907 000)		(2 907 000)		(3 514 531)		(607 531)		121 %		113 %		(1 322 660)		
Cash flow from financing activities																			
Receipts																			
Borrowing long term/re-financing	-		-		-		-		(413 747)		(413 747)		DIV/0 %		DIV/0 %		(420 357)		
Payments																			
Net cash flow from/used financing activities	-		-		-		-		(413 747)		(413 747)		DIV/0 %		DIV/0 %		12 134		
Net Increase/(decrease) in cash held	(2 280 000)		(7 980 500)		(10 260 500)		(10 260 500)		(3 258 444)		6 994 056		32 %		143 %		4 505 731		
Cash/cash equivalents at the year begin.									37 658 659								32 837 781		
Cash/cash equivalents at the year end:	(2 280 000)		(7 980 500)		(10 260 500)		(10 260 500)		34 392 215		6 994 056		(335)%		(1 508)%				