



GERT SIBANDE DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended June 30, 2015

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

General Information

Legal form of entity	Municipality
Speaker	Dlamini ES
Executive Mayor	Nhlabathi MPP
Chief Whip	Mnisi TA
Mayoral committee	Maboa-Boltman NF Maboea SA Magagula MP Motha VM Nyembe FM Zuma NG
Councillors	Bongwe JS Bosch PR Brussow JLI De Ville JR Dube JJ Greyling GS Joubert LK Kubheka MN Labuschagne PJ Madonsela EM Mahlangu BD Mahlangu H Makola MB Malatsi PV Malinga VT Manzi NE Masango SA Masina LL Maseko BP Mkhwanazi LVA Mkhwanazi ZG Mlotshwa TL Morajane CM Motha TW Mtshali BH Ndinisa BJ Nhlapo NS Nkosi AD Nkosi VL Puwani BS Shiba BP Shongwe MD Soko JP Thwala DM Tsetetsi MP Weber WL Zacarias SM Zwane L Zwane TE
Grading of local authority	3
Chief Finance Officer (CFO)	Singh AY
Accounting Officer	Habile CA

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

General Information

Registered office	Cnr Joubert & Oosthuizen Street Ermelo Mpumalanga 2351
Business address	Cnr Joubert & Oosthuizen Street Ermelo Mpumalanga 2351
Postal address	PO Box 1748 Ermelo Mpumalanga 2350
Bankers	ABSA Bank
Auditors	Auditor General Of South Africa
Attorneys	Fluxmans Attorneys
Nature of business and principal activities	A Category C Municipality established in terms of the Structures Act 117 of 1998 which execute some of the functions of Local Government (MP301)
The following is included in the scope of operation	Local Government - Services delivered in Mpumalanga

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Index

Index	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance for the year ended 30 June 2015	6
Statement of Changes in Net Assets for the year ended 30 June 2015	7
Cash Flow Statement for the year ended 30 June 2015	8
Statement of Comparison of Budget and Actual Amounts for the year ended 30 June 2015	9
Appropriation Statement	10 - 11
Accounting Policies for the year ended 30 June 2015	12 - 30
Notes to the Annual Financial Statements for the year ended 30 June 2015	31 - 70
Appendices (The following appendices are not audited.)	
Appendix A: Schedule of External loans	71
Appendix B: Analysis of Property, Plant and Equipment	72
Appendix C: Segmental analysis of Property, Plant and Equipment	78
Appendix D: Segmental Statement of Financial Performance	79
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	80
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	81
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	82
Appendix G: Detail for the different Financial Lease Obligations	83

Abbreviations

COGTA	Mpumalanga Provincial Department of Co-operative Governance and Traditional Affairs
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
VAT	Value Added Tax

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page he annual financial statements set out on pages 5 to 70, which have been prepared on the going concern basis, were approved by the on August 31, 2015 and were signed on its behalf by:

Habile CA
Municipal Manager

Ermelo
Monday, August 31, 2015

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Statement of Financial Position as at June 30, 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	30,995,199	13,883,015
Other receivables	5	761,575	523,783
Inventories	4	22,526,629	45,649,126
Receivables from exchange transactions	6	107,988	82,115
Receivables from non-exchange transactions	7	8,135,239	11,520,353
VAT receivable	8	5,840,992	5,975,264
		68,367,622	77,633,656
Non-Current Assets			
Property, plant and equipment	9	317,519,908	345,960,566
Intangible assets	10	280,802	476,021
Heritage assets	11	154,250	154,250
Investment in Municipal Entities	12	13,514,375	24,478,979
		331,469,335	371,069,816
Total Assets		399,836,957	448,703,472
Liabilities			
Current Liabilities			
Financial liabilities	13	4,104,383	7,844,506
Finance lease obligation	14	-	6,807,754
Payables from exchange transactions	15	42,989,374	67,342,650
Unspent conditional grants and receipts	16	2,429,866	1,198,650
		49,523,623	83,193,560
Non-Current Liabilities			
Financial liabilities	13	-	4,104,383
Finance lease obligation	14	-	15,871,136
Retirement benefit obligation	17	301,000	287,000
Deferred gain on sale and leaseback	18	-	2,528,600
		301,000	22,791,119
Total Liabilities		49,824,623	105,984,679
Net Assets		350,012,334	342,718,793
Accumulated surplus		350,012,334	342,718,793

* See Note 40

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Statement of Financial Performance for the year ended 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Income from municipal entities	20	18,648,527	6,123,298
Interest received - investment trade and otehr receivables	21	3,140,041	3,357,126
Other income	22	2,715,034	2,418,375
Health income		369,174	-
Rental income	23	1,902,167	2,020,000
Total revenue from exchange transactions		26,774,943	13,918,799
Revenue from non-exchange transactions			
Transfer revenue			
Government grants and subsidies	24	296,130,794	292,700,637
Total revenue	25	322,905,737	306,619,436
Expenditure			
Contracted services	26	(2,587,102)	(1,953,386)
Depreciation and amortisation	27	(20,434,441)	(19,579,695)
Employee related cost	28	(95,214,501)	(84,829,904)
Finance costs	29	(5,541,618)	(6,748,420)
General expenses	30	(34,249,541)	(30,285,660)
Grants and subsidies	31	(131,035,350)	(184,001,182)
Impairment loss	32	-	(2,898,567)
Remuneration of councillors	33	(10,468,612)	(9,974,336)
Repairs and maintenance	34	(4,012,493)	(3,352,118)
Total expenditure		(303,543,658)	(343,623,268)
Operating surplus (deficit)		19,362,079	(37,003,832)
Gain\loss) on disposal of assets		1,040,827	(22,819)
Loss on termination of partnership		(13,109,370)	-
		(12,068,543)	(22,819)
Surplus/(deficit) for the year		7,293,536	(37,026,651)

* See Note 40

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Statement of Changes in Net Assets for the year ended 30 June 2015

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	394,490,619	394,490,619
Adjustments		
Correction of errors	(14,745,173)	(14,745,173)
Balance at July 01, 2013 as restated*	379,745,446	379,745,446
Changes in net assets		
Deficit for the year	(37,026,653)	(37,026,653)
Total changes	(37,026,653)	(37,026,653)
Restated* Balance at July 01, 2014	342,718,798	342,718,798
Changes in net assets		
Deficit for the year	7,293,536	7,293,536
Total changes	7,293,536	7,293,536
Balance at June 30, 2015	350,012,334	350,012,334

* See Note 40

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Cash Flow Statement for the year ended 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		3,515,390	-
Grants		297,362,010	281,826,664
Interest income		3,140,041	3,357,126
Other receipts		4,617,201	7,687,311
Income from municipal entities		18,648,527	6,063,978
		<u>327,283,169</u>	<u>298,935,079</u>
Payments			
Employee costs		(105,669,113)	(91,883,764)
Suppliers		(173,005,753)	(217,800,137)
Finance costs		(813,093)	(1,445,683)
Contract Services		-	(1,953,386)
		<u>(279,487,959)</u>	<u>(313,082,970)</u>
Net cash flows from operating activities	36	<u>47,795,210</u>	<u>(14,147,891)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(5,377,866)	(18,204,087)
Proceeds from sale of property, plant and equipment	9	1,480,456	(2)
Purchase of other intangible assets	10	(35,000)	(310,339)
Proceeds from sale of other intangible assets	10	65,305	-
Movement in investments in municipal entities		10,964,604	721,970
		<u>7,097,499</u>	<u>(17,792,458)</u>
Net cash flows from investing activities		<u>7,097,499</u>	<u>(17,792,458)</u>
Cash flows from financing activities			
Decrease in long term loans		(7,844,506)	(7,245,671)
Movement in deferred gain on sale and leaseback		(2,528,600)	(388,424)
Movement in finance lease interest		-	(5,302,737)
Finance lease payments		(27,407,415)	(1,410,327)
		<u>(37,780,521)</u>	<u>(14,347,159)</u>
Net cash flows from financing activities		<u>(37,780,521)</u>	<u>(14,347,159)</u>
Net increase/(decrease) in cash and cash equivalents		17,112,188	(46,287,508)
Cash and cash equivalents at the beginning of the year		13,883,015	60,170,523
Cash and cash equivalents at the end of the year	3	<u>30,995,203</u>	<u>13,883,015</u>

* See Note 40

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Statement of Comparison of Budget and Actual Amounts for the year ended :

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Health income	-	529,600	529,600	369,174	(160,426)	Appendix E(1)
Rental income	-	1,515,000	1,515,000	1,902,167	387,167	Appendix E(1)
Income from municipal entities	-	40	40	18,648,527	18,648,487	Appendix E(1)
Other income	2,038,160	355,550	2,393,710	2,715,034	321,324	Appendix E(1)
Interest received - investment	3,420,000	(767,000)	2,653,000	3,140,041	487,041	Appendix E(1)
Total revenue from exchange transactions	5,458,160	1,633,190	7,091,350	26,774,943	19,683,593	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants and subsidies	381,781,000	(72,701,350)	309,079,650	296,130,794	(12,948,856)	Appendix E(1)
Total revenue	387,239,160	(71,068,160)	316,171,000	322,905,737	6,734,737	
Expenditure						
Personnel	(107,136,870)	6,263,510	(100,873,360)	(95,214,501)	5,658,859	Appendix E(1)
Remuneration of councillors	(12,412,850)	107,600	(12,305,250)	(10,468,612)	1,836,638	Appendix E(1)
Depreciation and amortisation	(18,745,970)	813,450	(17,932,520)	(20,434,441)	(2,501,921)	Appendix E(1)
Finance costs	(3,550,800)	2,743,600	(807,200)	(5,541,618)	(4,734,418)	Appendix E(1)
Repairs and maintenance	(4,221,460)	(495,790)	(4,717,250)	(4,012,493)	704,757	Appendix E(1)
Contracted services	(1,910,000)	(710,900)	(2,620,900)	(2,587,102)	33,798	Appendix E(1)
Grants and subsidies paid	(220,576,730)	71,862,731	(148,713,999)	(131,035,350)	17,678,649	Appendix E(1)
General expenses	(28,551,470)	(7,604,150)	(36,155,620)	(34,249,541)	1,906,079	Appendix E(1)
Total expenditure	(397,106,150)	72,980,051	(324,126,099)	(303,543,658)	20,582,441	
Operating surplus	(9,866,990)	1,911,891	(7,955,099)	19,362,079	27,317,178	
Gain on disposal of assets and liabilities	-	-	-	1,040,827	1,040,827	Appendix E(1)
Loss on non-current assets held for sale or disposal groups	-	-	-	(13,109,370)	(13,109,370)	
	-	-	-	(12,068,543)	(12,068,543)	
Surplus before taxation	(9,866,990)	1,911,891	(7,955,099)	7,293,536	15,248,635	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(9,866,990)	1,911,891	(7,955,099)	7,293,536	15,248,635	

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Appropriation Statement for the year ended 30 June 2015

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2015											
Financial Performance											
Investment revenue	3,420,000	(767,000)	2,653,000	-		2,653,000	3,140,041		487,041	118 %	92 %
Transfers recognised - operational	381,781,000	(72,701,350)	309,079,650	-		309,079,650	296,130,794		(12,948,856)	96 %	78 %
Other own revenue	2,038,160	2,400,190	4,438,350	-		4,438,350	23,634,902		19,196,552	533 %	1,160 %
Total revenue (excluding capital transfers and contributions)	387,239,160	(71,068,160)	316,171,000	-		316,171,000	322,905,737		6,734,737	102 %	83 %
Employee Cost	(107,136,870)	5,503,510	(101,633,360)	-	760,000	(100,873,360)	(95,214,501)	-	5,658,859	94 %	89 %
Remuneration of councillors	(12,412,850)	(427,400)	(12,840,250)	-	535,000	(12,305,250)	(10,468,612)	-	1,836,638	85 %	84 %
Depreciation and asset impairment	(18,745,970)	813,450	(17,932,520)			(17,932,520)	(20,434,441)	-	(2,501,921)	114 %	109 %
Finance charges	(3,550,800)	2,720,600	(830,200)	-	23,000	(807,200)	(5,541,618)	-	(4,734,418)	687 %	156 %
Transfers and grants	(220,576,730)	71,862,731	(148,713,999)	-	-	(148,713,999)	(131,035,350)	-	17,678,649	88 %	59 %
Other expenditure	(34,682,930)	(7,492,840)	(42,175,770)	-	(1,318,000)	(43,493,770)	(40,849,136)	-	2,644,634	94 %	118 %
Total expenditure	(397,106,150)	72,980,051	(324,126,099)	-	-	(324,126,099)	(303,543,658)	-	20,582,441	94 %	76 %
Surplus/(Deficit)	(9,866,990)	1,911,891	(7,955,099)	-		(7,955,099)	19,362,079		27,317,178	(243)%	(196)%
Gain on disposal of assets	-	-	-	-		-	1,040,827		1,040,827	DIV/0 %	DIV/0 %
Loss with termination of partnership	-	-	-	-		-	(13,109,370)		(13,109,370)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	(9,866,990)	1,911,891	(7,955,099)	-		(7,955,099)	7,293,536		15,248,635	(92)%	(74)%
Surplus/(Deficit) for the year	(9,866,990)	1,911,891	(7,955,099)	-		(7,955,099)	7,293,536		15,248,635	(92)%	(74)%

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	(12,000,000)	4,650,000	(7,350,000)	-		(7,350,000)	(5,412,865)		1,937,135	74 %	45 %
Sources of capital funds											
Internally generated funds	12,000,000	(4,650,000)	7,350,000	-		7,350,000	5,412,865		(1,937,135)	74 %	45 %
Cash flows											
Net cash from (used) operating	47,795,210	(14,147,891)	33,647,319	-		33,647,319	47,795,210		14,147,891	142 %	100 %
Net cash from (used) investing	7,097,499	(17,792,458)	(10,694,959)	-		(10,694,959)	7,097,499		17,792,458	(66)%	100 %
Net cash from (used) financing	(37,780,521)	(14,347,159)	(52,127,680)	-		(52,127,680)	(37,780,521)		14,347,159	72 %	100 %
Net increase/(decrease) in cash and cash equivalents	17,112,188	(46,287,508)	(29,175,320)	-		(29,175,320)	17,112,188		46,287,508	(59)%	100 %
Cash and cash equivalents at the beginning of the year	13,883,015	60,170,523	74,053,538	-		74,053,538	13,883,015		(60,170,523)	19 %	100 %
Cash and cash equivalents at year end	30,995,203	13,883,015	44,878,218	-		44,878,218	30,995,203		13,883,015	69 %	100 %

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1. Presentation of Annual Financial Statements

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

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

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

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

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

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

Impairment testing

The recoverable amounts or recoverable service amount of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. At each reporting date an assessment should be undertaken to determine whether there is any indication that any items of Property, plant and equipment may be impaired by reviewing external and internal source or information which indicates that impairments may have occurred.

Useful lives of property, plant and equipment and other assets

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

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

Effective interest rate

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

Allowance for doubtful debts

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

1.3 Investment property

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

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property 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.

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

In calculating the new depreciation as a result of change in estimate the calculation will be undertaken by dividing the carrying amount by the remaining useful life.

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

Where an asset is acquired at no cost or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Work-in-progress is recognised by the municipality as expenses as incurred on a capital project. Work-in-progress is transferred to the related item of property, plant and equipment when it is technically complete. Work-in-progress is not depreciated.

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

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

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

Item	Average useful life in years
Land	0
Building	
• Office building	30
• Laborotories	30
• Disaster centres	30
• Workshops/store rooms	30
• Non residential perimeter protection	25
• Internal road	20
• Stormwater channel	20
Plant and equipment	5

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.4 Property, plant and equipment (continued)

Furniture and fixtures	
• Office furniture	7
• Elevator system	20
• Transformer	50
• Building air condition system	15
• Electric wire and power distribution equipment(generators)	7
Motor vehicles	
• Motor vehicles	7
• Construction vehicles	10
Office equipment	7
IT equipment	5
Lab equipment	7
Communication equipment	2
Park facilities	
• Public parking	30
• Carports/Garage/Shelters	15
Investment property	
• Leased building	30
Leased copiers	3
Specialised vehicles	
• Emergency vehicles	10
Heritage	0

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

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

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

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

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

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

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.5 Intangible assets (continued)

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

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

1.6 Heritage assets

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

Recognition

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.6 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

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

Derecognition

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

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

1.7 Investments in controlled entities

Eastvaal Partnership

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

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

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

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

Owing to the pending sale of the Secunda properties their will be consequential divestment in the partnership.

Eastvaal Development Trust

Gert Sibande District Municipality is the 100% beneficiary of the trust. The investment in the Eastvaal Development Trust is carried at fair value. this fair value of the trust is determined by reference to the net assets of the trust

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.

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 municipality assesses the classification of each element separately.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.9 Leases (continued)

Finance leases - lessee

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

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

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

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

1.10 Inventories

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

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

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

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

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

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

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

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

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

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

1.11 Impairment of cash-generating assets

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.11 Impairment of cash-generating assets (continued)

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.12 Impairment of non-cash-generating assets

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

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

Identification

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

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

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

Value in use

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

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an 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.

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

Reversal of an impairment loss

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

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

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

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

1.13 Accumulated surplus

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.14 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

Post-employment benefits

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

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.15 Provisions and contingencies (continued)

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

A constructive obligation to restructure arises only when the 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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the municipality.

A contingent liability:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
 - the amount of the obligation can not be measured with sufficient reliability.

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

1.16 Revenue from exchange transactions

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

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

Measurement

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.16 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 entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity 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 entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 entity, and
- The amount of the revenue can be measured reliably.

Revenue shall be recognised using the following accounting treatments:

Interest shall be recognised by using the effective interest rate method as set out in the Standard of GRAP on Financial Instruments.

Dividends or similar distributions shall be recognised when the owner's right to receive payment has been established.

1.17 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.

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-imbursment basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entities in connection with the borrowing of funds

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready to its intended use of sale.

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 any expenditure incurred by the municipality otherwis than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- overspending of the total amount appropriated in the municipality's approved budget;
- 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.
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for the specified purpose
- spending of an allocation referred to in paragraph (b) , (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the Municipal Financial Management Act.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of change in net assets 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 change in net assets.

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 change in net assets 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 change in net assets.

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 change in net assets and where recovered, it is subsequently accounted for as revenue in the Statement of change in net assets.

1.23 Budget information

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

The approved budget covers the fiscal period from 01 July 2014 to 30 June 2015.

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

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 20 & 23.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.24 Related parties

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 versa versa, or an entity that is subject to common control, or joint control.

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

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

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

1.25 Value Added Tax

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

1.26 Offsetting

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

1.27 Commitments

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

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

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

1.28 Grants in aid

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

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

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Accounting Policies for the year ended 30 June 2015

1.29 Events after the reporting date

Events after reporting date are those event,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 date);
- and
- those that are indicative of conditions that arose after the reporting date(non-adjusting events after the reporting date).

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand

2015

2014

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 5 (as 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 has adopted the amendment for the first time in the 2015 annual financial statements.

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

The municipality has adopted the standard for the first time in the 2015 annual financial statements.

The impact of the standard is not material.

GRAP 100 (as 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.

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 April 01, 2014.

The municipality has adopted the amendment for the first time in the 2015 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2015 or later periods:

GRAP 105: Transfers of functions between entities under common control

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

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

GRAP 107: Mergers

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

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

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

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

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

GRAP 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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

2. New standards and interpretations (continued)

- 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 vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

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

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

The standard elaborates on the definitions and identification of:

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

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

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

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

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

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

IGRAP 11: Consolidation – Special purpose entities

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

2. New standards and interpretations (continued)

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (ie they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard of GRAP does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This interpretation of the Standards of GRAP does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to an SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation of the Standards of GRAP may mean that the entity should consolidate the SPE. This Interpretation of the Standards of GRAP does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

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

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

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

2. New standards and interpretations (continued)

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

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

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

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

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

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

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

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

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

GRAP 7 (as revised 2010): Investments in Associates

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

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

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

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

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

GRAP 8 (as revised 2010): Interests in Joint Ventures

Paragraph .04 was amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers added paragraph .50 and amended paragraphs .51 and .52. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

2. New standards and interpretations (continued)

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

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

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

GRAP32: Service Concession Arrangements: Grantor

The standard applies to 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 providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

PPP agreements that are governed and regulated in terms of the PFMA and MFMA, are some of the arrangements that fall within the scope of GRAP 32. For any other arrangements that meet the control criteria as set out in paragraph .07 of GRAP 32 the principles in the standard on accounting for such arrangements will apply.

An asset provided by the operator, or an upgrade to an existing asset, is recognised as a service concession asset with a corresponding liability, being the performance obligation, if certain criteria and conditions are met.

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

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, bylaws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts. Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments.

Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

Statutory receivables are initially measured at their transaction amount and subsequently using the cost method.

Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised. The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

2. New standards and interpretations (continued)

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.

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.

Directive 11 : Changes in measurement bases following the initial adoption of standards of GAAP

The objective of this directive is to permit the municipality to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this directive allows the municipality, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the municipality elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the municipality made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this directive, the municipality will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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

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

The expected impact of the directive is [discuss the impact that Standard/Interpretation/Amendment is expected to have on the municipality's annual financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,600	7,600
Bank balances	30,989,599	13,875,415
	30,995,199	13,883,015

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand 2015 2014

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2015	June 30, 2014	June 30, 2013
ABSA BANK - Current Account - 1053-971-462	10,269,600	3,299,056	1,791,106	30,718,095	13,610,838	59,903,943
ABSA BANK - Call Account - 4063-211-572	20,470,345	10,316,032	58,112,837	-	-	-
Nedbank BANK - Current Account - 1454-106-999	271,504	264,578	258,980	271,504	264,578	258,980
Total	31,011,449	13,879,666	60,162,923	30,989,599	13,875,416	60,162,923

4. Inventories

Work in progress	22,309,562	45,649,126
Inventories operational	217,067	-
	22,526,629	45,649,126

5. Other receivables

Study bursaries	971,614	523,783
Less amount written back	(210,039)	-
	761,575	523,783

6. Receivables from exchange transactions

Accrued interest	107,988	82,115
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Credit quality of receivables from exchange transactions

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

Receivables from exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2015, R107 988 (2014: R 82 115) were past due but not impaired. The ageing of amounts past due but not impaired is as follows:

1 month past due	107,988	82,115
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7. Receivables from non-exchange transactions

Operating lease receivables (if immaterial)	3	(4)
Other receivables	1,957,575	1,093,694
DWA	6,177,661	10,426,663
	8,135,239	11,520,353

Credit quality of Receivables from non-exchange transactions

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand 2015 2014

7. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At June 30, 2015, R 8 135 239 (2014: R 11 520 353) were past due but not impaired.

8. VAT receivable

VAT 5,840,992 5,975,264

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

9. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	360,000	-	360,000	5,215,588	-	5,215,588
Buildings	310,078,435	(43,573,645)	266,504,790	319,857,150	(34,475,905)	285,381,245
Plant and equipment	508,065	(156,997)	351,068	1,005,514	(751,723)	253,791
Furniture and fixtures	4,495,727	(2,594,606)	1,901,121	4,505,300	(2,069,586)	2,435,714
Motor vehicles	9,644,911	(5,404,778)	4,240,133	9,374,511	(5,352,816)	4,021,695
Office equipment	3,669,988	(2,594,469)	1,075,519	4,993,440	(2,900,652)	2,092,788
IT equipment	4,868,900	(2,403,915)	2,464,985	8,749,815	(4,360,252)	4,389,563
Infrastructure	29,455,864	(9,134,242)	20,321,622	29,455,864	(6,886,722)	22,569,142
Construction vehicles	10,400,000	(1,648,624)	8,751,376	10,400,000	(609,336)	9,790,664
Other equipment	535,953	(46,456)	489,497	535,953	(35,744)	500,209
Building fixtures	6,459,823	(1,023,691)	5,436,132	6,459,823	(765,475)	5,694,348
Communication equipment	72,420	(55,453)	16,967	71,079	(25,593)	45,486
Laboratory equipment	3,837,701	(1,648,681)	2,189,020	2,923,964	(1,207,369)	1,716,595
Park facilities	691,475	(82,143)	609,332	691,475	(56,388)	635,087
Emergency vehicles	4,101,870	(3,416,298)	685,572	4,101,870	(3,006,391)	1,095,479
Work in progress	2,122,774	-	2,122,774	123,172	-	123,172
Total	391,303,906	(73,783,998)	317,519,908	408,464,518	(62,503,952)	345,960,566

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand 2015 2014

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Land	5,215,588	-	(4,855,588)	-	360,000
Buildings	285,381,245	112,673	(9,891,388)	(9,097,740)	266,504,790
Plant and equipment	253,791	230,025	-	(132,748)	351,068
Furniture and fixtures	2,435,714	138,934	(18,245)	(655,282)	1,901,121
Motor vehicles	4,021,695	1,745,428	(276,010)	(1,250,980)	4,240,133
Office equipment	2,092,788	15,000	(63,494)	(968,775)	1,075,519
IT equipment	4,389,563	215,128	(81,880)	(2,057,826)	2,464,985
Infrastructure	22,569,142	-	-	(2,247,520)	20,321,622
Construction Vehicles	9,790,664	-	-	(1,039,288)	8,751,376
Other equipment	500,209	-	-	(10,712)	489,497
Building fixtures	5,694,348	-	-	(258,216)	5,436,132
Communication equipment	45,486	7,339	-	(35,858)	16,967
Laboratory equipment	1,716,595	913,737	-	(441,312)	2,189,020
Park facilities	635,087	-	-	(25,755)	609,332
Emergency vehicles	1,095,479	-	-	(409,907)	685,572
Work in progress	123,172	1,999,602	-	-	2,122,774
	345,960,566	5,377,866	(15,186,605)	(18,631,919)	317,519,908

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	5,215,588	-	-	-	-	5,215,588
Buildings	278,973,197	6,002,565	-	10,705,522	(10,300,039)	285,381,245
Plant and equipment	335,257	46,843	-	-	(128,309)	253,791
Furniture and fixtures	3,121,669	-	-	-	(685,955)	2,435,714
Motor vehicles	5,451,888	-	-	-	(1,430,193)	4,021,695
Office equipment	2,722,833	432,617	-	-	(1,062,662)	2,092,788
IT equipment	5,167,727	1,198,890	(22,819)	-	(1,954,235)	4,389,563
Infrastructure	24,690,841	-	-	-	(2,121,699)	22,569,142
Construction vehicles	-	10,400,000	-	-	(609,336)	9,790,664
Other equipment	510,921	-	-	-	(10,712)	500,209
Building fixtures	5,916,512	-	-	-	(222,164)	5,694,348
Communication equipment	69,184	-	-	-	(23,698)	45,486
Laboratory equipment	2,119,484	-	-	-	(402,889)	1,716,595
Park facilities	658,929	-	-	-	(23,842)	635,087
Emergency vehicles	1,505,385	-	-	-	(409,906)	1,095,479
Work in progress	10,705,522	123,172	-	(10,705,522)	-	123,172
	347,164,937	18,204,087	(22,819)	-	(19,385,639)	345,960,566

Pledged as security

No assets have been pledged as security:

Reconciliation of Work-in-Progress 2015

	Included within Other PPE	Total
Opening balance	123,172	123,172
Additions/capital expenditure	1,999,602	1,999,602
	2,122,774	2,122,774

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand 2015 2014

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2014

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

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

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1,007,054	(726,252)	280,802	1,226,938	(750,917)	476,021

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	476,021	35,000	(65,305)	(164,914)	280,802

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	359,736	310,339	(194,054)	476,021

Pledged as security

No intangible assets have been pledged as security.

11. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain and portraits	154,250	-	154,250	154,250	-	154,250

Reconciliation of heritage assets 2015

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

Reconciliation of heritage assets 2014

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
11. Heritage assets (continued)		
	Opening balance	Total
Mayoral chain and portraits	154,250	154,250
12. Loans to (from) economic entities		
Controlled entities		
Investment in Eastvaal Financing Partnership	-	18,169,562
Investment in Eastvaal Development Trust	13,514,375	6,309,417
Gert Sibande District Municipality is the 100% beneficiary of the trust. The investment in the Eastvaal Development Trust is carried at fair value. The fair value of the trust is determined by reference to the net assets of the trust.		
	13,514,375	24,478,979
Expenses	-	-
13. Financial liabilities		
At amortised cost		
ABSA Bank loan	4,104,383	11,948,889
This loan is unsecured, bears interest at 8.22% p.a. and is repayable in bi-annual installments of R4,335,090.		
Non-current liabilities		
At amortised cost	-	4,104,383
Current liabilities		
At amortised cost	4,104,383	7,844,506
14. Finance lease obligation		
Minimum lease payments due		
- within one year	-	6,807,754
- in second to fifth year inclusive	-	21,071,974
		27,879,728
less: future finance charges	-	(5,200,838)
Present value of minimum lease payments	-	22,678,890
Present value of minimum lease payments due		
- within one year	-	6,807,754
- in second to fifth year inclusive	-	15,871,136
	-	22,678,890
Non-current liabilities	-	15,871,136
Current liabilities	-	6,807,754
	-	22,678,890

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
15. Payables from exchange transactions		
Accrued interest	51,762	150,694
Other creditors	160,785	108,495
Health payments	41,220	-
Performance bonuses	1,081,439	621,615
Retentions	9,982,133	13,820,421
Staff bonuses	1,875,625	1,734,042
Staff leave pay	6,489,337	7,268,153
Trade payables	23,307,073	43,639,230
	42,989,374	67,342,650
16. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Rural roads asset management systems grant	1,000	-
Infrastructure skills development grant	-	198,650
Data cleansing grant	537,559	1,000,000
COGTA	1,891,307	-
	2,429,866	1,198,650
Movement during the year		
Balance at the beginning of the year	1,198,650	-
Additions during the year	16,063,000	2,000,000
Income recognition during the year	(14,831,784)	(801,350)
	2,429,866	1,198,650
The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.		
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.		
See note 24 for reconciliation of grants from National/Provincial Government.		
These amounts are invested in a ring-fenced investment until utilised.		
17. Retirement benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(287,000)	(278,000)
Present value of the defined benefit obligation-partly or wholly funded	38,000	37,000
Fair value of plan assets	(24,000)	(21,000)
Fair value of reimbursement rights	(28,000)	(25,000)
	(301,000)	(287,000)
18. Deferred gain on sale and leaseback		
The property in Secunda was sold by the Municipality to the Eastvaal Financing Partnership. This property is being leased back by the municipality through a finance lease over 20 years. Every year the deferred profit is amortised as shown in the Statement of Financial Performance.		
Deferred profit on sale and leaseback	-	2,528,600

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
19. Financial instruments disclosure		
Categories of financial instruments		
2015		
Financial assets		
	At cost	Total
Cash and cash equivalents	30,995,199	30,995,199
Other receivables	761,575	761,575
Receivables from exchange transactions	107,988	107,988
Receivables from non-exchange transactions	8,135,236	8,135,236
	39,999,998	39,999,998
Financial liabilities		
	At cost	Total
Other financial liabilities	4,104,383	4,104,383
Payables from exchange transactions	44,930,261	44,930,261
	49,034,644	49,034,644
2014		
Financial assets		
	At cost	Total
Cash and cash equivalents	13,883,015	13,883,015
Other receivables	523,783	523,783
Receivables from exchange transactions	82,115	82,115
Receivables from non-exchange transactions	11,520,357	11,520,357
	26,009,270	26,009,270
Financial liabilities		
	At cost	Total
Finance lease obligations	22,678,890	22,678,890
Other financial liabilities	11,948,889	11,948,889
Payables from exchange transactions	67,342,654	67,342,654
	101,970,433	101,970,433
20. Income from municipal entities		
Income from municipal entities	18,648,527	6,123,298
21. Interest received - investments and other receivables		
Interest revenue		
Bank	3,104,527	3,308,478
Interest charged on receivables	35,514	48,648
	3,140,041	3,357,126

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
22. Other income		
Car Wash	183,451	303,602
Donations received	88,400	63,170
LG Seta	174,417	177,982
Refund telephone	117,574	146,603
Laboratory income	1,404,964	996,474
Retention forfeited	173,084	128,309
Sundry	448,802	375,491
Tender deposits	124,342	226,744
	2,715,034	2,418,375
23. Rental income		
Rental income - third party	1,902,167	2,020,000

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
24. Government grants and subsidies		
Equitable share	16,098,000	17,288,000
Revenue replacement grant	249,849,000	242,572,000
Financial management grant (FMG)	1,250,000	1,250,000
Municipal systems improvement grant (MSIG)	934,000	890,000
CBPWP / EPWP grant	1,587,000	1,000,000
Data cleansing grant	462,441	-
Rural road asset management systems grant (RAMS)	2,062,000	1,822,000
Infrastructure skills development grant (ISDG)	3,198,650	801,350
COGTA	9,108,693	-
Department of water affairs (DWA)	11,581,010	27,077,287
	296,130,794	292,700,637

Equitable Share

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

Revenue replacement grant

Current-year receipts	249,849,000	242,572,000
Conditions met - transferred to revenue	(249,849,000)	(242,572,000)
	-	-

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

Finance management grant

Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)
	-	-

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

Municipal systems improvement grant

Current-year receipts	934,000	890,000
Conditions met - transferred to revenue	(934,000)	(890,000)
	-	-

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

CBPWP/EPWP grant

Current-year receipts	1,587,000	1,000,000
Conditions met - transferred to revenue	(1,587,000)	(1,000,000)
	-	-

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
24. Government grants and subsidies (continued)		
Road asset management grant(RAMS)		
Current-year receipts	2,063,000	1,822,000
Conditions met - transferred to revenue	(2,062,000)	(1,822,000)
	1,000	-
Conditions still to be met - remain liabilities (see note 16).		
To assist rural district municipalities to set up rural roads asset management systems.		
Infrastructure skills development grant(ISDG)		
Balance unspent at beginning of year	198,650	-
Current-year receipts	3,000,000	1,000,000
Conditions met - transferred to revenue	(3,198,650)	(801,350)
	-	198,650
To strengthen capacity of local government, to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available.		
Data cleansing Grant		
Balance unspent at beginning of year	1,000,000	-
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	(462,441)	-
	537,559	1,000,000
Conditions still to be met - remain liabilities (see note 18).		
To assist municipalities with the implementations of geographic information systems and related projects		
COGTA		
Current-year receipts	11,000,000	-
Conditions met - transferred to revenue	(9,108,693)	-
	1,891,307	-
Conditions still to be met - remain liabilities (see note 16).		
To assist municipalities with reticulation interventions to improve service delivery and reduce interruptions as well as bulk supply and sanitation		
Department of water affairs(DWA)		
Current-year receipts	11,581,010	27,077,287
Conditions met - transferred to revenue	(11,581,010)	(27,077,287)
	-	-

To facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
25. Revenue		
Government grants & subsidies	296,130,794	292,700,637
Income from municipal entities	18,648,527	6,123,298
Interest received - investment	3,140,041	3,357,126
Other income	2,715,034	2,418,375
Health income	369,174	-
Rental income	1,902,167	2,020,000
	322,905,737	306,619,436
The amount included in revenue arising from exchanges of goods or services are as follows:		
Income from Municipal entities	18,648,527	6,123,298
Interest received - investment	3,140,041	3,357,126
Other income	2,715,034	2,418,375
Rendering of services	369,174	-
Rental income	1,902,167	2,020,000
	26,774,943	13,918,799
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	296,130,794	292,700,637
26. Contracted services		
Information Technology Services	1,839,864	1,350,894
Cleaning and maintenance	747,238	602,492
	2,587,102	1,953,386
27. Depreciation and amortisation		
Property, plant and equipment	20,269,527	19,385,641
Intangible assets	164,914	194,054
	20,434,441	19,579,695

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
28. Employee related costs		
Basic	53,660,980	48,267,512
Bonus	4,906,447	3,961,448
Medical aid - company contributions	3,554,465	2,814,016
UIF	373,351	332,294
Leave pay accrual charge	3,082,641	3,686,106
Group insurance	993,312	840,888
Pension fund	10,514,313	8,936,148
Bargaining council	17,399	14,917
Overtime payments	1,352,540	921,857
Car allowance	8,950,410	7,619,762
Housing benefits and allowances	477,336	317,605
Uniforms	373,810	240,134
	88,257,004	77,952,687
Remuneration of municipal manager - Habile CA		
Annual Remuneration	864,020	1,183,539
Car Allowance	240,000	240,000
Contributions to UIF, Medical and Pension Funds	161,745	161,745
	1,265,765	1,585,284
Remuneration of chief finance officer - Singh AY		
Annual Remuneration	957,622	883,026
Car Allowance	180,000	180,000
Performance Bonuses	-	52,599
Contributions to UIF, Medical and Pension Funds	13,784	13,785
	1,151,406	1,129,410
Municipal Infrastructure - Vilane SB		
Annual Remuneration	694,914	741,347
Car Allowance	165,000	185,600
Contributions to UIF, Medical and Pension Funds	153,932	164,455
	1,013,846	1,091,402
Planning services - Zikalala S		
Annual Remuneration	875,160	836,100
Car Allowance	96,000	96,000
Contributions to UIF, Medical and Pension Funds	169,746	162,711
	1,140,906	1,094,811
Corporate services - Dlamini MS		
Annual Remuneration	914,425	627,389
Car Allowance	192,632	174,474
Contributions to UIF, Medical and Pension Funds	108,944	101,970
	1,216,001	903,833

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
28. Employee related costs (continued)		
Community and social services - Kunene M		
Annual Remuneration	926,194	836,217
Car Allowance	96,000	96,000
Contributions to UIF, Medical and Pension Funds	147,379	140,260
	1,169,573	1,072,477
Total employment cost		
Annual Remuneration	95,214,501	84,829,904
	95,186,499	81,918,427
29. Finance costs		
Interest on current liabilities	813,093	1,445,683
Finance leases	4,728,525	5,302,737
	5,541,618	6,748,420
30. General expenses		
Advertising	394,333	399,084
Assets expensed	373,525	95,441
Auditors remuneration	5,305,011	3,831,236
Bank charges	157,269	140,313
Cleaning	310,436	296,873
Conferences and seminars	13,353	23,657
Consulting and professional fees	1,847,958	1,890,578
Entertainment	1,055,089	937,905
Flowers	-	4,170
Forums	8,442	-
IT expenses	61,149	296,918
Insurance	1,281,153	1,326,639
Lease rentals on operating lease (See note below)	2,393,645	2,015,557
Municipal and other services	4,581,401	4,179,102
Placement fees	-	215,656
Postage and courier	6,217	11,755
Printing and stationery	371,975	427,077
Royalties and license fees	1,646,291	1,171,015
Contracted security services (Guarding of municipal property)	2,175,854	2,270,100
Subscriptions and membership fees	1,326,516	861,223
Technical Support	772,079	834,575
Telephone and fax	2,813,161	2,532,761
Training	1,740,241	1,896,890
Travel - local	5,047,339	4,056,010
Workmen's compensation	567,104	571,125
	34,249,541	30,285,660

2014 Financial year: Note on operating lease: Part of the Lease and rentals is an operating lease. The future lease commitments are disclosed in the note for commitments. Note must be taken that the lease installments are straight-lined as per lease agreement. (N2 Woodhill (Pty) Ltd : rental of the Car Wash Property in Mkondo)

2015 Financial year: Note on operating lease: Per agreement the lease amount received is not payable after the municipality stopped operating the car wash and the land owner started operating it. The amount provided for the straightlineing was written back.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
31. Grants and subsidies paid		
Other subsidies		
Grant paid to local municipalities	131,035,350	184,001,182
32. Impairment loss		
Impairments		
Impairment loss	-	2,898,567
33. Remuneration of councillors		
Executive Major	894,718	845,255
Mayoral Committee Members	3,186,572	3,332,543
Speaker	719,948	680,378
Councillors	4,803,469	4,100,005
Mayoral committee contributions and other allowances	378,293	494,949
Councillors contributions and other allowances	485,612	521,206
	10,468,612	9,974,336

In-kind benefits

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

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

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

Executive Mayor	Remuneration	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Nhlabathi MPP	569,902	218,462	20,868	85,485	894,717
Total	569,902	218,462	20,868	85,485	894,717
Speaker	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Dhlamini ES	440,896	174,770	20,868	83,414	719,948
Total	440,896	174,770	20,868	83,414	719,948
Chief Whip	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Mnisi TA	415,739	107,866	20,868	75,801	620,274
Total	415,739	107,866	20,868	75,801	620,274

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand

2015

2014

33. Remuneration of councillors (continued)

Mayoral Committee	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Maboa-Boltman NF	412,400	163,847	20,868	79,140	676,255
Maboe SA	423,822	163,847	20,868	67,719	676,256
Magagula MP	427,426	163,847	20,868	64,114	676,255
Nkosi M	138,676	54,616	6,956	25,170	225,418
Nyembe FM	412,400	163,847	20,868	79,140	676,255
Zuma NG	427,426	163,847	20,868	64,114	676,255
Motha VM	278,078	107,866	13,738	49,483	449,165
	2,520,228	981,717	125,034	428,880	4,055,859

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand			2015	2014	
33. Remuneration of councillors (continued)					
Councillors	Basic	Travel Allowance	Cellphone Allowance	Pension and Medical Aid	Total
Baker TE	4,522	1,507	-	-	6,029
Bongwe JS	2,673	-	-	-	2,673
Bosch PR	23,343	9,046	-	-	32,389
Brussow JLI	34,954	11,651	-	-	46,605
Deville JR	34,954	11,651	-	-	46,605
De Waal MAC	92,636	39,158	13,216	26,147	171,157
Dube JJ	145,475	54,615	17,390	21,049	238,529
Greyling GS	34,954	11,651	-	-	46,605
Hlatshwayo B	-	3,528	-	-	3,528
Joubert LK	161,344	65,538	20,868	40,672	288,422
Kubheka MN	24,901	9,285	2,956	4,274	41,416
Labuschagne PJ	28,759	9,586	-	-	38,345
Madonsela EM	34,954	11,651	-	-	46,605
Mahlangu BD	28,759	9,586	-	-	38,345
Mahlangu H	161,344	65,538	20,868	40,672	288,422
Mahlobo MA	4,438	13,484	-	-	17,922
Makola MB	28,759	9,586	-	-	38,345
Malatsi PV	1,765	-	-	-	1,765
Malinga TV	74,018	27,798	8,861	11,361	122,038
Manzi NE	28,759	9,586	-	-	38,345
Masango SA	28,759	9,586	-	-	38,345
Masina LL	857	-	-	-	857
Maseko BP	34,954	11,651	-	-	46,605
Mkhwanazi LVA	34,954	11,651	-	-	46,605
Mkhwanazi ZG	28,759	9,586	-	-	38,345
Mlotshwa TL	176,370	65,538	20,868	25,645	288,421
Moloi LE	-	5,168	-	-	5,168
Morajane CM	908	-	-	-	908
Motha TW	34,954	11,651	-	-	46,605
Motloug KW	67,252	28,081	9,478	17,782	122,593
Mnisi SM	2,571	8,088	-	-	10,659
Mthethwa TB	857	2,323	-	-	3,180
Mtshali BH	2,571	-	-	-	2,571
Ndinisa BJ	28,759	9,586	-	-	38,345
Nhlapo JV	-	1,087	-	-	1,087
Nhlapo NS	3,530	-	-	-	3,530
Nkosi AD	34,954	11,651	-	-	46,605
Nkosi FL	-	7,526	-	-	7,526
Nkosi TM	1,765	1,844	-	-	3,609
Nkosi VL	34,954	11,651	-	-	46,605
Nkosi RA	2,622	8,114	-	-	10,736
Puwani BS	34,954	11,651	-	-	46,605
Shiba BS	4,387	-	-	-	4,387
Tshabalala AJ	2,673	8,944	-	-	11,617
Shongwe MD	224,812	84,108	20,868	32,912	362,700
Soko JP	4,987	2,491	-	-	7,478
Thwala DM	34,954	11,651	-	-	46,605
Tsotetsi MP	383,906	152,924	20,868	74,866	632,564
Vilakazi RG	30,084	10,001	-	-	40,085
Weber WL	162,753	65,538	20,868	39,263	288,422
Yende MT	5,193	7,592	-	-	12,785
Yende VG	-	5,891	-	-	5,891
Zacarias SM	34,954	11,651	-	-	46,605
Zwane LA	176,370	65,538	20,868	27,823	290,599
Zwane TE	34,954	11,650	-	-	46,604
Travel reimbursement to be taxed	-	28,146	-	-	28,146
	2,606,642	1,067,003	197,977	362,466	4,234,088

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
33. Remuneration of councillors (continued)		
34. Repairs and maintenance		
Building	1,263,331	577,856
Fuel and oil	2,168,658	2,147,200
Furniture and equipment	-	5,231
Office equipment	6,945	41,484
Vehicles	573,559	580,346
	4,012,493	3,352,117
35. Auditors' remuneration		
Fees	5,096,067	3,568,700
Consulting	9,927	2,201
Expenses	199,017	260,335
	5,305,011	3,831,236
36. Cash generated from (used in) operations		
Surplus (deficit)	7,293,536	(37,026,651)
Adjustments for:		
Depreciation and amortisation	20,434,441	19,579,695
(Gain)loss on disposal of assets	(1,040,827)	22,819
Loss on termination of partnership	13,109,370	-
Finance costs - Finance leases	4,728,525	5,302,737
Impairment loss	-	2,898,567
Movements in retirement benefit obligation	14,000	9,000
Non-cash journals processed on system	-	767
Asset donated	-	(200)
Movement in non-current asset held for sale	-	1,830,000
Changes in working capital:		
Inventories	23,122,497	(9,767,683)
Receivables from non-exchange transactions	3,385,121	(11,026,758)
Movement in study bursaries	(237,792)	(212,981)
Movement in other receivables	(25,873)	34,648
Payables from exchange transactions	(24,353,276)	13,850,590
Movement in VAT receivable	134,272	(841,091)
Unspent conditional grants and receipts	1,231,216	1,198,650
	47,795,210	(14,147,891)

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
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37. Commitments

Authorised capital and operational expenditure

Capital commitments - already contracted for but not provided for

• Property, plant and equipment	-	19,640,884
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Operational commitments - already contracted for but not provided for

• Projects and operational	42,267,392	26,373,575
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This committed expenditure relates to property and projects as well as operational commitments and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Included in the commitments for 2014 and 2015 are commitments for Grant Thornton that are for a period longer than a year (Project GSDM 56/2011 for the design and implementation of a comprehensive turn-around strategy for Lekwa and Mkondo Municipalities)

Operating leases commitments - as lessee (expense)

Minimum lease payments due

- within one year	-	82,899
- in second to fifth year inclusive	-	297,054
	-	379,953

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of ten years and rentals escalate at 7% per year. No contingent rent is payable.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand

2015

2014

38. Contingencies

Contingencies for 2014

Litigation employee

Litigation is in the process against the municipality relating to a dispute with an employee who alleges that the municipality has dismissed him unfairly and is seeking damages of R 1,657,915. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years. Should the action be successful the municipality will have to pay out the amount claimed of R1 657,915.

Inhlakanipho Consultants-Contractua

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

Termination of Eastvaal Financing Partnership

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

Litigation employee

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

Hlokoapitse

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

Contingencies for 2015

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand

2015

2014

38. Contingencies (continued)

Inhlakanipho Consultants-Contractual

The dispute arising out of tender 11/2007: Upgrading of Empulzi Water Treatment Works

Plaintiff is claiming R3 402 596. Inhlakanipho Consultants-Contractual appointed for R4 000 000 that included the planning and the construction of the project. Inhlakanipho acted out of the scope of the appointment. The municipality then only paid for planning and the construction as per the appointed letter. The R3 402 596 that Inhlakanipho is claiming is the pre planning of future construction work. Awaiting court date

Litigation employee

Litigation is in the process against the municipality relating to a dispute with an employee who alleges that the municipality has dismissed him unfairly and is seeking damages of R 1 000 000. The municipality's lawyers and management are considering the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Hlokoapitse

Litigation is in the process against the municipality relating to a dispute with Hlokoapitse for paying a subcontractor directly and not to the main contractor and they are seeking damages of R 200 000. Judgement was received on 17 March 2015 in favour of GSDM. Hlokoapitse might take GSDM on trial.

Federation for sustainable environment

Matter was withdrawn, cost estimated to amount to R 450 000. Matter is pending with cost instruction to be determined.

Aqua Transport & Plant Hire vs GSDM

Plaintiff is suing council to the amount of R 47 569, 92 in respect of services rendered at councils special instance and request. The matter is before the Ermelo Magistrates court and the total financial implication could be R 86 569, 92 inclusive of legal fees. Defendants plea is being prepared and will be served and filed in due course

Tactical Security Services CC vs GSDM

Plaintiff is suing council to the amount of R 1 013 990, 44 in respect of services rendered at councils special instance and request. The matter is before the high court (Gauteng Division Pretoria) and the total implication could be R 1 373 990, 44 inclusive of legal fees. Plaintiffs declaration is awaited which is equivalent to plaintiffs particulars of claim.

39. Related parties

Relationships

Accounting Officer

Controlled entities

Close family member of key management

Refer to accounting officer's report

Eastvaal Financing Partnership

Eastvaal Development Trust

Highveld Printers

Related party transactions

Purchases from (sales to) related parties

Highveld Printers

Masibonisaneni Sonke Trading & JV Madonsela Trading (Project GSDM 130/2013 -

Installation of boreholes

- 108,564

- 450,000

Distribution from/(to) entities

Eastvaal Development Trust

Eastvaal Financing Partnership

(849,532) 6,123,110

6,413,747 313,529

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand

2015

2014

40. Prior period errors

1. Creditors provision

Correction of creditors provision in the amount of R1 093 425 that was incorrect provided for in the previous financial year.

2. Lease agreement - Mkhondo car wash

The car wash operations stopped during 2014/2015 financial year and the straight lining of the accrual liability for rental in the amount of R 68 194.66 was reversed as there are no future obligations attached.

3. Componentisation of assets

Accounting for new accumulated depreciation in the amount of R64 085 910.23 after componentisation of assets in the 2013/2014 financial year.

4. Reclassification of assets

Reversal of accumulated depreciation in the amount of R62 673 244.82 after re-classification of asset classed in previous financial year

5. Re-evaluation in asset

Adjustment of depreciation of property plant and equipment that was reclassified as investment property for 2013/2014 in the amount of R531 373.58.

6. Leave provision

Correction of leave provision to be in line with the leave days on the leave register

7. Re-classification of PPE to investment property accumulated depreciation

Decrease in accumulated depreciation relating to the re-evaluation in the amount of R299 668.38 that was written back in the 2013/2014 financial year

8. Re-evaluation of investment property

Adjustment in historical cost relating to re-evaluation of investment property after re-classification from PPE to investment property in the amount of R 15 953 023.86

9. Removal cost - employee

Removal cost written back in the amount of R 767 for the 2013/2014 financial year

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

Statement of financial position

1, Decrease in sundry creditors - creditor provision written back	-	(1,093,425)
2, Decrease in accrual liabilities - straight lining for rental written back	-	(68,197)
3, Increase accumulated depreciation - new accumulated depreciation	-	(64,085,910)
4, Decrease in accumulated depreciation - reversal of accumulated depreciation - re-classification	-	62,673,245
5, Decrease in accumulated depreciation due to re-classification of assets as investment property	-	531,374
6, Increase in accrual liabilities - additional leave provision	-	1,394,144
7, Decrease in accumulated depreciation relating to re-evaluation of Investment property	-	299,668
8, Decrease historical cost of assets relating to reclassification	-	(15,953,024)
9, Decrease in debtors	-	(767)

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand 2015 2014

40. Prior period errors (continued)

Statement of change in net assets

1, Increase in accumulated surplus - creditors provision written back	-	1,093,425
2, Increase in accumulated surplus - straight lining for rental written back	-	68,197
3, Decrease in accumulated surplus - new accumulated depreciation	-	64,085,910
4, Increase in accumulated surplus - depreciation - reversal of accumulated depreciation - re-calcification	-	(62,673,245)
5, Increase in accumulated surplus - adjustment in depreciation for reclassified property plant and equipment	-	(531,374)
6, Decrease in accumulated surplus - additional provision for leave	-	(1,394,144)
7, Increase in accumulated surplus - accumulated depreciation - re-evaluating investment property	-	(299,668)
8, Decrease in accumulated surplus relating to adjustment in historical cost of assets	-	15,953,024
9, Decrease in accumulated surplus - removal cost written back	-	767

Statement of financial performance

41. Risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. Management ratio's are also prepared and monitored on a monthly basis.

Credit risk

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

The risk relating to investments is minimised due to the nature of the municipal entities finance structure..

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

42. Irregular expenditure

Opening balance	51,780,167	97,651,968
Add: Irregular Expenditure - current year	98,800	403,559
Less: Irregular expenditure - prior year - written back/impaired	(51,780,167)	(58,000)
Less: Amount wrongly disclosed as irregular expenditure(See note on deviations)	-	(2,170,079)
Less: Amount investigated by management	-	(44,047,281)
Included in 2014/2015 statutory register of irregular, unauthorised, fruitless and wasteful expenditure is an amount of R 751,497 relating to transactions incurred and are currently being investigated and finalised	-	1
	98,800	51,780,168

Analysis of expenditure awaiting condonation per age classification

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
42. Irregular expenditure (continued)		
Details of irregular expenditure – current year		
	Reason for Irregularity	
Game Ermelo (Payment Voucher 605328)	Three quotations were not obtained administratively, however council approved value of procurement.	73,800
Pat Bus Services (Payment Voucher 605136)	Council was inadvertently not informed of divination. Supply chain processes were not strictly adhered to and Council to be duly informed.	25,000
		98,800
43. Fruitless and wasteful expenditure		
Add: Fruitless and wasteful expenditure - current year	35,502	-
1. SARS Penalties - Panalties and Interest was incurred owing to late payment of VAT in the moth of April 2015. In future all SARS calculation will be undertaken two weeks before the respective cutoff date which would enable any abnormities to be detected earlier. R35,502.44		
44. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription / fee	1,197,755	829,719
Amount paid - current year	(1,197,755)	(829,719)
	-	-
Audit fees		
Current year subscription / fee	4,780,268	3,779,750
Amount paid - current year	(4,780,268)	(3,779,750)
	-	-
PAYE and UIF		
Current year subscription / fee	18,019,929	15,282,895
Amount paid - current year	(18,019,929)	(15,282,895)
	-	-
Pension and Medical Aid Deductions		
Current year subscription / fee	24,879,633	21,405,819
Amount paid - current year	(24,879,633)	(21,405,819)
	-	-
VAT		
VAT receivable	5,840,992	5,975,264

VAT output payables and VAT input receivables are shown in note 8.

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

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand

2015

2014

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

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed as per Note 47.

45. Events after the reporting date

The sale of the Secunda administration office building relating to the administration and consolidation were registered on the 13th August 2015. The proceeds of the sale of these immovable assets amounting to R 33,578,700 were deposited in the ABSA bank account.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand

2015

2014

46. Deviation from supply chain management regulations

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

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

Deviations for 2014

The amount for deviations with the 2014 financial year amounted to R1 868 874.

Deviations for 2015

The amount for deviations with the 2015 financial year amounted to R1 567 918 (See detail information below)

Date	Department	Supplier	Amount (R)	Deviation	Reason for Deviation
2014/07/16	Human Resource - 27033	Mie Background Screening	8,061	The Service Provider was requested to extend his duties to incorporate additional work relating to the project which prudently was not practical to request from any other Service Provider. Hence no quotations were sourced	Initially an order to procure the services all SCM procedures were fully adhered to. However, the project related work could not be completed within the original brief and consequently the service provider was requested to extend his duties in this regard the service provider may be deemed to be a Sole Service Provider
2014/07/22	Office of the Executive Mayor	Penta Travel	44,414	The rental costs may be deemed to be on-going as the motor vehicle repairs were not completed timeously	Initially Penta Travel Agency had tested the market and were able to obtain a suitable vehicle for the Executive Mayor to ensure that conveyance was available until such time as the official vehicle was being repaired.
2014/07/22	Corporate Services - 2768	Twala Attorneys	98,552	On - going legal services were performed by attorneys and this Service Provider had to be retained until such time as the case matter was concluded	In previous years SCM procedures were followed. However, in view of the fact that the legal matters were not finalised timeously, this service provider had to be retained.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand			2015	2014	
46. Deviation from supply chain management regulations (continued)					
2014/07/30	Corporate Services - 27688	Government Printing Works	102,850	No quotations are deemed to be possible as documents may be obtained from the recognised Government institution	Only government institution in South Africa that can print by-laws - Sole Provider.
2014/08/25	Planning - 29031	Three Cities Gateway Hotel	3,000	No quotations obtained	Original booking for Planning personnel were found to be in an unsafe area and hence attendees had to be relocated to Three Cities Gateway Hotel.
2014/08/25	Corporate Services - 29034	Sleeping Out	40,680	RFQ process was followed initially but not utilised for finalising the procurement. Three quotations were obtained to finalise procurement	Initially the RFQ process was executed but only one service provider bid which was deemed to be an excessive amount of R559 413.77. Hence quotations were obtained which resulted in a much lower amount of R 40 680.00.
2014/09/11	Community & Social Services - 30010	S A Township Groove Consulting	3,075	No quotations were necessary as this category of costs was added to the original business plan agreed upon at a subsequent meeting	The costs being re-imbursed related to aspect of the sporting codes information and documentation which not on the original brief and this was discovered at a subsequent meeting. Unfortunately this was an oversight by the preparer of the business plan
2014/09/29	Planning - 30632	Black Valley Projects	110,000	It was not necessary to source quotations as this service provider was appointed by the Tourism Board regarding the event and providing the relevant exhibitions.	The exhibition stalls and tents could only be procured from this event organiser and hence no procurement processes was undertaken by GSDM owing to the nature of the event.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand				2015	2014
46. Deviation from supply chain management regulations (continued)					
2014/09/29	Corporate Services - 30631	Twala Attorneys	140,251	On - going legal services were performed by attorneys and this Service Provider had to be retained until such time as the case matter was concluded	In previous years SCM procedures were followed. However, in view of the fact that the legal matters were not finalised timeously, this service provider had to be retained.
2014/10/15	Technical Services - 31337	Rauserv CC	11,632	No quotations were obtained as the goods were purchased from this service provider and the repair work which was deemed to be high professional level could not be performed by another company	The service provider is the sole provider for the autoclaves instrument for the GSDM Laboratory and hence was procured to attend to the repair of the instruments with a view to ensuring that the calibration aspect is not impaired
2014/10/30	Office of the Executive Mayor - 31861	Southern Sun - The Ridge	5,276	Attempts were made to solicit three quotations but these attempts were futile due to the institutions being fully booked.	The only available accomodation was the nearest town of Witbank (the meeting was being hosted in Middleburg). Hence, the official procurement processes were not adhered to and the delegates were going to be severely inconvenienced
2014/10/31	Planning & Economic Development - 31970	Madabukela Traditional Council	35,000	RFQ processes could not be adhered to as this funding is deemed to be a donation whereby thid parties procure the relevant livestock suitable to their traditional requirements	Madabukela Traditional Council urgently requested the Council to purchase a bull/Oxen and Heifer in order to support the Annual Cultural day event being the Annual UMMEMO. Although three quotations weresubmitted by the authorities the threshold of R30 001 was exceeded and consequently an RFQ process should have been followed, but was not undertaken

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand		2015	2014		
46. Deviation from supply chain management regulations (continued)					
2014/11/06	Financial Services - 32080	Cashbuild	79,002	RFQ process were not adhered to owing to the disaster that had occurred within the respective area	Emergency procurement of corrugated iron sheets to assist families affected by storm at Rastplaas, Emampondweni & Kwasgudada in Mkhondo LM
2014/11/10	Co - operate Services - 32464	Twala Attorneys	61,645	On - going legal services were performed by attorneys and this Service Provider had to be retained until such time as the case matter was concluded	In previous years SCM procedures were followed. However, in view of the fact that the legal matters were not finalised timeously, this service provider had to be retained.
2014/11/25	Planning - 32996	Nandos Ermelo	2,497	No quotations were obtained as there was no request from the department for any procurement as it was understood that meeting duration would not be extensive	Meeting between Gert Sibande and The Gert Sibande Local House of Traditional Leaders was convened and owing to the lengthy duration of the meeting catering was provided for all attendees.
2014/12/05	Technical Services - 33318	Van Dyk Electrical & Airconditionin	2,900	Only 1 quotation received instead of three as there was an urgent need to restore services so that business duties could be performed	Power failure occurred, the back up generator failed to operate. Financial Services Department could not finalize the payment of salaries. Thus , a local service proider was requested to execute the emergency repairs for the back up generator.
2014/11/12	Office of the Executive Mayor - 33728	Pat Bus Services	11,500	Only 1 quotation received instead of three owing to time constraints and the urgency of the matter	The instruction from the respective department of the Mpumalanga Provincial Government was received the day before the opening of the Izimbali boarding school in Amsterdam and there was a request that GSDM community members must be transported to the event

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand		2015	2014		
46. Deviation from supply chain management regulations (continued)					
2014/12/22	Financial Services - 3428	Altimax (Pty) Ltd	40,014	Only 1 quotation received instead of three as this was a on - going engagement of services that were provided by the company	The Service of Altimax had to be procured to ensure continuity in the preparation of the 2013/14 AFS due to the fact that they prepared the 2012/13 AFS. Additional Professional Assistance was needed from Altimax in order to ensure that the statutory Annual Financial Statements for the year ending 2013/14 were prepared accurately in terms of rolled over closing balances from the 2012/13 Financial year were being captured accurately. In addition the Caseware modules were adopted for the preparation of the AFS and training to staff members was happening simultaneously with a view to ensuring that ensuing years finalisation of the AFS would be undertaken in - house with minimal training required hereafter. Further, it was imperative that all mapping of votes on Caseware was done accurately
2014/12/22	Financial Services - 34292	Ernest & Young Advisory Service	182,304	No quotations were obtained as the investigation process had to be undertaken urgently and these duties had to be performed by an accredited auditor	During deliberations between the AG and Management, Management was informed that they did not execute the required investigation into the procurement of the Mayoral vehicle as this issue was raised in the 2012/13 Audit Report. Management took a decision to do an emergency procurement as this matter was long outstanding and had to be finalized

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand			2015	2014	
46. Deviation from supply chain management regulations (continued)					
2015/02/11	Corporate Services - 35919	Yes Media CC	22,500	Only 1 quotation received instead of three	Municipal profiling of GSDM in the Local Government Handbook South Africa 2015. This service was only available from this specific service provider
2015/03/12	Office of the Municipal Manager - 37000	Lexis Nexis Butterworth	12,557	Attempts were made to solicit three quotations but two suppliers indicated they could not provide the goods on the legal standards that was required by GSDM which is in compliance with the form and context of Local Government Legislation.	It was not practical to follow the official procurement processes, as two service providers could not quote for the required product and consequently the prescribed material was only obtainable from this service provider.
2015/03/27	Financial Services - 37514	Leon Venter Argitekto	83,803	No quotations were obtained on the understanding that the amendments to the plans could only be undertaken by the original architect	This service provider was requested to execute the professional services on construction plans and obtain Occupancy Certificate on behalf of GSDM. This procurement was to finalise the sale of the GSDM building in Secunda to UCJ Properties Pty Ltd. It was deemed financially prudent to request the Architects who originally designed the plans for the building, as a new architect would have to undertake detailed background work which would have incurred substantial costs.
2015/04/16	Technical Support - 38125	Mnqobi Construction	17,350	Only 1 quotation received instead of three as there was a dire need for water to be supplied to the respective communities.	Emergency water supply in Ermelo, Wesselton and Davel due to electricity shortage resulting in water reservoirs running dry.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand			2015	2014
46. Deviation from supply chain management regulations (continued)				
2015/04/21	Corporate Services - 38162	Greenway woods	167,018	<p>Service was advertised for RFQ but all bids received were above R200 000. the outlay of expenditure was deemed to be excessive and hence quotations were obtained to secure an ideal facility</p> <p>The RFQ processes were followed and the results of the RFQs received exceeded the R200 000 threshold amount. Management decided to follow the quotation process as the tender process would have resulted in a delay of the hosting of the strategic planning session. Quotations were received and Greenway Woods was the lowest</p>
2015/04/22	Community & Social Services - 38489	Nelson Mandela Metro University	69,333	<p>RFQ process was not deemed to be appropriate as specific type of training in compliance with the respective legislation had to be followed but the Sole Service Provider was approached</p> <p>The Service Provider was the only provider to have the stream line training programme for Peace Officers and Environmental Health Practitioners in line with current legislation</p>
2015/05/13	Corporate Services - 39154	Twala Attorneys	24,709	<p>On - going legal services were performed by attorneys and this Service Provider had to be retained until such time as the case matter was concluded</p> <p>In previous years SCM procedures were followed. However, in view of the fact that the legal matters were not finalised timeously, this service provider had to be retained.</p>
2015/05/13	Corporate Services - 39155	Twala Attorneys	21,798	<p>On - going legal services were performed by attorneys and this Service Provider had to be retained until such time as the case matter was concluded</p> <p>In previous years SCM procedures were followed. However, in view of the fact that the legal matters were not finalised timeously, this service provider had to be retained.</p>

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand				2015	2014
46. Deviation from supply chain management regulations (continued)					
2015/05/14	Corporate Services - 39163	Nyaope Inc Attorneys	133,899	This Legal Company doesnot appear on the original panel of Legal Service providers that was approved by Council	The appointment of this firm of attorneys was deemed to be urgent and it was an on - going matter which was not finalised timeously by the previous attorneys
2015/05/21	Financial Services - 39246	Humman Communications	7,298	Only 1 quotation received instead of three. The request to obtain the service of any other company was not feasible owing to the extreme urgency of this matter and the lateness in which this matter was received.	The confirmation to place the advert in the newspaper was receive on short notice. This was the only service provider which could assist.
2015/02/04 and 2015/02/26 and 2015/05/21	Technical Services - Journal 12624 and payment vouchers no 606019 and 607088	Makhwananzi Electrical Contractors	815,771	Only one quotation obtained instead to follow the tender process for repara of the seriously damage and deteriorating water treatment plant of Dipaleseng in order to elleviat water shortages on request of Department of Co-Operative Governmance and Traditional Affairs	Emergency in terms of section 36(1)(a)(1) of the Supply chain management regulations relating to emergency repair of the water treatment plant in Dipaleseng to alleviate the water shortage
			<u>2,358,689</u>		

47. Budget differences

Changes from the approved budget to the final adjustment budget

The changes between the approved and final adjustment budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages 10 annual financial statments.

GERT SIBANDE DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended June 30, 2015

Notes to the Annual Financial Statements for the year ended 30 June 2015

Figures in Rand	2015	2014
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48. Change in estimate

Property, plant and equipment

With the Secunda building being classified as investment property, the depreciation on the following classes were influenced as follows: road decreased with R 9,278; building decreased with R 813,832; electrical network equipment decreased with R129,206; non residential perimeters decreased with R 12,871 and leased building increased with R 433,764

The future influence on the statement of financial performance will amount to R64,061 as the property was sold on 13 August 2015.

The impact on the statement of financial performance is a decrease of R531,423

GERT SIBANDE DISTRICT MUNICIPALITY
Appendix A

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at Monday, June 30, 2014	Received during the period	Redeemed written off during the period	Balance at Tuesday, June 30, 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Lease liability							
Eastvaal financing Partnership		22,089,605	-	22,089,605	-	-	-
Nashua Highveld		589,284	-	589,284	-	42,000	-
		22,678,889	-	22,678,889	-	42,000	-
Annuity loans							
ABSA bank		11,948,889	-	7,844,506	4,104,383	-	-
		11,948,889	-	7,844,506	4,104,383	-	-
Total external loans							
Lease liability		22,678,889	-	22,678,889	-	42,000	-
Annuity loans		11,948,889	-	7,844,506	4,104,383	-	-
		34,627,778	-	30,523,395	4,104,383	42,000	-

GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	5,215,588	-	(4,855,588)	-	-	-	360,000	-	-	-	-	-	-	360,000
Building fixtures	6,459,823	-	-	-	-	-	6,459,823	(765,475)	-	-	(258,216)	-	(1,023,691)	5,436,132
Buildings (Separate for AFS purposes)	319,857,150	112,673	(9,891,388)	-	-	-	310,078,435	(33,247,106)	-	-	(10,326,539)	-	(43,573,645)	266,504,790
	331,532,561	112,673	(14,746,976)	-	-	-	316,898,258	(34,012,581)	-	-	(10,584,755)	-	(44,597,336)	272,300,922
Infrastructure														
Infrastructure	29,455,864	-	-	-	-	-	29,455,864	(6,886,722)	-	-	(2,247,520)	-	(9,134,242)	20,321,622
Electrical network	691,475	-	-	-	-	-	691,475	(56,388)	-	-	(25,755)	-	(82,143)	609,332
	30,147,339	-	-	-	-	-	30,147,339	(6,943,110)	-	-	(2,273,275)	-	(9,216,385)	20,930,954
Community Assets														

GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Mayoral chain and portraits	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Specialised vehicles														
Emergency vvhicles	4,101,870	-	-	-	-	-	4,101,870	(3,006,391)	-	-	(409,907)	-	(3,416,298)	685,572
	4,101,870	-	-	-	-	-	4,101,870	(3,006,391)	-	-	(409,907)	-	(3,416,298)	685,572
Other assets														
General vehicles	9,374,511	1,745,427	(1,475,027)	-	-	-	9,644,911	(5,352,816)	1,199,017	-	(1,250,980)	-	(5,404,779)	4,240,132
Plant & equipment	1,005,514	230,025	(727,474)	-	-	-	508,065	(751,723)	727,474	-	(132,748)	-	(156,997)	351,068
Computer Equipment	8,749,815	215,128	(4,096,043)	-	-	-	4,868,900	(4,360,252)	4,014,164	-	(2,057,826)	-	(2,403,914)	2,464,986
Furniture & Fittings	4,505,300	138,934	(148,507)	-	-	-	4,495,727	(2,069,586)	130,262	-	(655,283)	-	(2,594,607)	1,901,120
Office Equipment	3,232,042	15,000	(1,338,452)	-	-	-	1,908,590	(1,678,070)	1,274,958	-	(471,958)	-	(875,070)	1,033,520
Office Equipment - Leased	1,761,398	-	-	-	-	-	1,761,398	(1,222,582)	-	-	(496,816)	-	(1,719,398)	42,000
Other equipment	535,953	-	-	-	-	-	535,953	(35,744)	-	-	(10,712)	-	(46,456)	489,497
Communication Equipment	71,079	7,339	(5,998)	-	-	-	72,420	(25,593)	5,998	-	(35,858)	-	(55,453)	16,967
Laboratory Equipment	2,923,964	913,737	-	-	-	-	3,837,701	(1,207,369)	-	-	(441,312)	-	(1,648,681)	2,189,020
Work in progress	123,172	1,999,602	-	-	-	-	2,122,774	-	-	-	-	-	-	2,122,774
Construction vehicles	10,400,000	-	-	-	-	-	10,400,000	(609,336)	-	-	(1,039,288)	-	(1,648,624)	8,751,376
	42,682,748	5,265,192	(7,791,501)	-	-	-	40,156,439	(17,313,071)	7,351,873	-	(6,592,781)	-	(16,553,979)	23,602,460

GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2015
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	331,532,561	112,673	(14,746,976)	-	-	-	316,898,258	(34,012,581)	-	-	(10,584,755)	-	(44,597,336)	272,300,922
Infrastructure	30,147,339	-	-	-	-	-	30,147,339	(6,943,110)	-	-	(2,273,275)	-	(9,216,385)	20,930,954
Heritage assets	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Specialised vehicles	4,101,870	-	-	-	-	-	4,101,870	(3,006,391)	-	-	(409,907)	-	(3,416,298)	685,572
Other assets	42,682,748	5,265,192	(7,791,501)	-	-	-	40,156,439	(17,313,071)	7,351,873	-	(6,592,781)	-	(16,553,979)	23,602,460
	408,618,768	5,377,865	(22,538,477)	-	-	-	391,458,156	(61,275,153)	7,351,873	-	(19,860,718)	-	(73,783,998)	317,674,158
Agricultural/Biological assets														
Intangible assets														
Computers - software	1,226,938	35,000	(254,884)	-	-	-	1,007,054	(750,917)	189,579	-	(164,914)	-	(726,252)	280,802
	1,226,938	35,000	(254,884)	-	-	-	1,007,054	(750,917)	189,579	-	(164,914)	-	(726,252)	280,802
Investment properties														
Total														
Land and buildings	331,532,561	112,673	(14,746,976)	-	-	-	316,898,258	(34,012,581)	-	-	(10,584,755)	-	(44,597,336)	272,300,922
Infrastructure	30,147,339	-	-	-	-	-	30,147,339	(6,943,110)	-	-	(2,273,275)	-	(9,216,385)	20,930,954
Heritage assets	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Specialised vehicles	4,101,870	-	-	-	-	-	4,101,870	(3,006,391)	-	-	(409,907)	-	(3,416,298)	685,572
Other assets	42,682,748	5,265,192	(7,791,501)	-	-	-	40,156,439	(17,313,071)	7,351,873	-	(6,592,781)	-	(16,553,979)	23,602,460
Intangible assets	1,226,938	35,000	(254,884)	-	-	-	1,007,054	(750,917)	189,579	-	(164,914)	-	(726,252)	280,802
	409,845,706	5,412,865	(22,793,361)	-	-	-	392,465,210	(62,026,070)	7,541,452	-	(20,025,632)	-	(74,510,250)	317,954,960

GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY
Appendix B

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	5,215,588	-	-	-	-	-	5,215,588	-	-	-	-	-	-	5,215,588
Building Fixtures	5,555,438	904,385	-	-	-	-	6,459,823	(543,310)	-	-	(222,165)	-	(765,475)	5,694,348
Buildings	307,874,564	13,812,587	(1,830,000)	-	-	-	319,857,151	(24,175,865)	-	-	(10,300,041)	-	(34,475,906)	285,381,245
	318,645,590	14,716,972	(1,830,000)	-	-	-	331,532,562	(24,719,175)	-	-	(10,522,206)	-	(35,241,381)	296,291,181
Infrastructure														
Infrastructure	27,522,339	1,933,525	-	-	-	-	29,455,864	(4,765,023)	-	-	(2,121,699)	-	(6,886,722)	22,569,142
Park Facilities	633,885	57,590	-	-	-	-	691,475	(32,546)	-	-	(23,842)	-	(56,388)	635,087
	28,156,224	1,991,115	-	-	-	-	30,147,339	(4,797,569)	-	-	(2,145,541)	-	(6,943,110)	23,204,229

GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY
Appendix B

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Mayoral chain and portraits	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Specialised vehicles														
Emergency Vehicles	4,101,870	-	-	-	-	-	4,101,870	(2,596,485)	-	-	(409,906)	-	(3,006,391)	1,095,479
	4,101,870	-	-	-	-	-	4,101,870	(2,596,485)	-	-	(409,906)	-	(3,006,391)	1,095,479
Other assets														
General vehicles	9,374,511	-	-	-	-	-	9,374,511	(3,922,623)	-	-	(1,430,193)	-	(5,352,816)	4,021,695
Plant & equipment	958,671	46,843	-	-	-	-	1,005,514	(623,413)	-	-	(128,310)	-	(751,723)	253,791
Computer Equipment	7,579,573	1,198,892	(28,649)	-	-	-	8,749,816	(2,411,846)	5,828	-	(1,954,235)	-	(4,360,253)	4,389,563
Furniture & Fittings	4,505,300	-	-	-	-	-	4,505,300	(1,383,631)	-	-	(685,955)	-	(2,069,586)	2,435,714
Office Equipment	3,018,366	213,676	-	-	-	-	3,232,042	(1,201,572)	-	-	(476,498)	-	(1,678,070)	1,553,972
Office Equipment - Leased	1,761,398	-	-	-	-	-	1,761,398	(636,418)	-	-	(586,164)	-	(1,222,582)	538,816
Other Equipment	535,953	-	-	-	-	-	535,953	(25,032)	-	-	(10,712)	-	(35,744)	500,209
Communication Equipment	5,998	65,081	-	-	-	-	71,079	(1,895)	-	-	(23,698)	-	(25,593)	45,486
Laboratory Equipment	2,770,104	153,860	-	-	-	-	2,923,964	(804,480)	-	-	(402,889)	-	(1,207,369)	1,716,595
Work in progress	10,705,522	123,172	-	(10,705,522)	-	-	123,172	-	-	-	-	-	-	123,172
Construction vehicles	-	10,400,000	-	-	-	-	10,400,000	-	-	-	(609,336)	-	(609,336)	9,790,664
	41,215,396	12,201,524	(28,649)	(10,705,522)	-	-	42,682,749	(11,010,910)	5,828	-	(6,307,990)	-	(17,313,072)	25,369,677

GERT SIBANDE DISTRICT MUNICIPALITY
GERT SIBANDE DISTRICT MUNICIPALITY
Appendix B

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	318,645,590	14,716,972	(1,830,000)	-	-	-	331,532,562	(24,719,175)	-	-	(10,522,206)	-	(35,241,381)	296,291,181
Infrastructure	28,156,224	1,991,115	-	-	-	-	30,147,339	(4,797,569)	-	-	(2,145,541)	-	(6,943,110)	23,204,229
Heritage assets	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Specialised vehicles	4,101,870	-	-	-	-	-	4,101,870	(2,596,485)	-	-	(409,906)	-	(3,006,391)	1,095,479
Other assets	41,215,396	12,201,524	(28,649)	(10,705,522)	-	-	42,682,749	(11,010,910)	5,828	-	(6,307,990)	-	(17,313,072)	25,369,677
	392,273,330	28,909,611	(1,858,649)	(10,705,522)	-	-	408,618,770	(43,124,139)	5,828	-	(19,385,643)	-	(62,503,954)	346,114,816
Intangible assets														
Computers - software	916,599	310,339	-	-	-	-	1,226,938	(556,863)	-	-	(194,054)	-	(750,917)	476,021
	916,599	310,339	-	-	-	-	1,226,938	(556,863)	-	-	(194,054)	-	(750,917)	476,021
Investment properties														
Total														
Land and buildings	318,645,590	14,716,972	(1,830,000)	-	-	-	331,532,562	(24,719,175)	-	-	(10,522,206)	-	(35,241,381)	296,291,181
Infrastructure	28,156,224	1,991,115	-	-	-	-	30,147,339	(4,797,569)	-	-	(2,145,541)	-	(6,943,110)	23,204,229
Heritage assets	154,250	-	-	-	-	-	154,250	-	-	-	-	-	-	154,250
Specialised vehicles	4,101,870	-	-	-	-	-	4,101,870	(2,596,485)	-	-	(409,906)	-	(3,006,391)	1,095,479
Other assets	41,215,396	12,201,524	(28,649)	(10,705,522)	-	-	42,682,749	(11,010,910)	5,828	-	(6,307,990)	-	(17,313,072)	25,369,677
Intangible assets	916,599	310,339	-	-	-	-	1,226,938	(556,863)	-	-	(194,054)	-	(750,917)	476,021
	393,189,929	29,219,950	(1,858,649)	(10,705,522)	-	-	409,845,708	(43,681,002)	5,828	-	(19,579,697)	-	(63,254,871)	346,590,837

GERT SIBANDE DISTRICT MUNICIPALITY
Appendix D

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

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
10,603	21,263,323	(21,252,720)	Executive & Council/Mayor and Council	6,596	20,952,543	(20,945,947)
274,779,624	85,212,857	189,566,767	Finance & Admin/Finance	296,631,681	108,579,191	188,052,490
31,806,137	219,622,583	(187,816,446)	Planning and Development/Economic Development/Plan	25,859,778	166,962,656	(141,102,878)
23,072	17,547,324	(17,524,252)	Health/Clinics	397,685	19,107,814	(18,710,129)
306,619,436	343,646,087	(37,026,651)		322,895,740	315,602,204	7,293,536
Municipal Owned Entities						
Other charges						
306,619,436	343,646,087	(37,026,651)	Municipality	322,895,740	315,602,204	7,293,536
306,619,436	343,646,087	(37,026,651)	Total	322,895,740	315,602,204	7,293,536

GERT SIBANDE DISTRICT MUNICIPALITY
Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Forecast # 1 2015 Act. Bal.	Forecast # 1 2015 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Health Income	369,174	529,600	(160,426)	(30.3)	New function - no history for accurate budget
Rental income	1,902,167	1,515,000	387,167	25.6	The sale of the offices in Secunda was not finalized as planned
Income from entity	18,648,527	40	18,648,487	217.5	Yearly adjusting entries for the entity not budgeted
Other income	2,715,034	2,393,710	321,324	13.4	Vehicles was sold - not budgeted for
Government grants	296,130,794	309,079,650	(12,948,856)	(4.2)	
Interest received - investment	3,140,041	2,653,000	487,041	18.4	Project implementation slow - more funds for investments
	322,905,737	316,171,000	6,734,737	2.1	
Expenses					
Personnel	(95,214,501)	(100,871,200)	5,656,699	(5.6)	
Remuneration of councillors	(10,468,612)	(12,305,250)	1,836,638	(14.9)	One Mayoral committee members not appointed
Depreciation	(20,434,441)	(17,932,520)	(2,501,921)	14.0	Assets were reclassified - not budgeted for
Amortisation	-	-	-	-	
Impairments	-	-	-	-	
Finance costs	(5,541,618)	(807,200)	(4,734,418)	586.5	No provision for finance charges for the entity
Repairs and maintenance - General	(4,012,493)	(4,717,250)	704,757	(14.9)	No repairs on graders
Contracted Services	(2,587,102)	(2,620,900)	33,798	(1.3)	
Grants and subsidies paid	(131,035,350)	(148,713,999)	17,678,649	(11.9)	Several projects implemented late
General Expenses	(34,249,541)	(36,155,620)	1,906,079	(5.3)	
	(303,543,658)	(324,123,939)	20,580,281	(6.3)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	1,040,827	-	1,040,827	-	
Loss on termination of partnership	(13,109,370)	-	(13,109,370)	-	
	(12,068,543)	-	(12,068,543)	-	
Net surplus/ (deficit) for the year					
	7,293,536	(7,952,939)	15,246,475	(191.7)	

GERT SIBANDE DISTRICT MUNICIPALITY
Appendix E(2)

**Actual vs Budget (Acquisition of Property Plant and
Equipment) for the year ended 30 June 2015**

	Additions	Revised Budget	Variance	Variance	Explanation of significant
	Rand	Rand	Rand	nce	variances from budget
				%	
Municipality					
Executive & Council/Mayor and Council	2,658,602	3,660,000	1,001,398	27	Land could not yet be identified for construction of Regional Disaster Centre
Finance & Admin/Finance	2,754,263	3,690,000	935,737	25	Orders for computer equipment were delayed. Major expenditure was adversely affected by the currency fluctuations.
	5,412,865	7,350,000	1,937,135	26	

Municipal Owned Entities
Other charges

GERT SIBANDE DISTRICT MUNICIPALITY

Appendix F

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

Name of Grants	Quarterly Receipts					Quarterly Expenditure				
	Dec	Mar	Jun	Sep	Jun	Dec	Mar	Jun	Sep	Jun
Equitable Share	5,366,000	5,366,000	5,366,000	-	16,098,000	5,366,000	5,366,000	5,366,000	-	16,098,000
MSIG Grant	934,000	-	-	-	934,000	355,675	35,100	98,735	444,490	934,000
FMG Grant	1,250,000	-	-	-	1,250,000	315,849	325,237	311,663	297,254	1,250,000
Revenue Replacement Grant	66,662,000	83,283,000	99,904,000	-	249,849,000	52,883,767	63,278,571	60,133,497	73,553,165	249,879,000
EPWP/CBPWP	635,000	476,000	476,000	-	1,587,000	419,752	544,127	248,431	274,690	1,587,000
Rural Road Grant	2,063,000	-	-	-	2,063,000	-	731,960	280,606	1,049,434	1,062,000
Data Cleansing Grant	1,000,000	-	-	-	1,000,000	-	-	-	462,441	462,441
Infrastructure Skills Development	1,196,500	-	2,000,000	-	3,198,650	191,540	1,438,102	594,560	974,448	3,198,650
DWA	-	-	3,658,746	1,744,603	5,403,349	-	-	4,203,498	7,377,527	11,581,010
	79,106,500	89,125,000	111,404,746	1,744,603	281,382,999	59,532,583	71,719,097	71,236,990	84,433,449	286,052,101

Appendix G: Details for the different Financial Lease Obligations

for the year ended June 30, 2015

	2015/2014								2014/2013						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	-	-	-	-		-	1,250,667		1,250,667	DIV/0 %	DIV/0 %				1,250,241
Executive and council	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Budget and treasury office	-	-	-	-		-	1,250,667		1,250,667	DIV/0 %	DIV/0 %				1,250,241
Corporate services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and social services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	-	-	-	-		-	185,100		185,100	DIV/0 %	DIV/0 %				304,564
Planning and development	-	-	-	-		-	185,100		185,100	DIV/0 %	DIV/0 %				304,564
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Trading services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Electricity	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Water	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Standard	-	-	-	-		-	1,435,767		1,435,767	DIV/0 %	DIV/0 %				1,554,805

Appendix G: Details for the different Financial Lease Obligations

for the year ended June 30, 2015

	2015/2014								2014/2013						
	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 Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	-	-	-	-	-	-	1,450,116	-	1,450,116	DIV/0 %	DIV/0 %	-	-	-	1,264,605
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	1,450,116	-	1,450,116	DIV/0 %	DIV/0 %	-	-	-	1,264,605
Corporate services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	-	-	-	-	-	-	65,895,222	-	65,895,222	DIV/0 %	DIV/0 %	-	-	-	137,161,696
Planning and development	-	-	-	-	-	-	65,895,222	-	65,895,222	DIV/0 %	DIV/0 %	-	-	-	137,161,696
Road transport	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Standard	-	-	-	-	-	-	67,345,338	-	67,345,338	DIV/0 %	DIV/0 %	-	-	-	138,426,301
Surplus/(Deficit) for the year	-	-	-	-	-	-	(65,909,571)	-	(65,909,571)	DIV/0 %	DIV/0 %	-	-	-	(136,871,496)