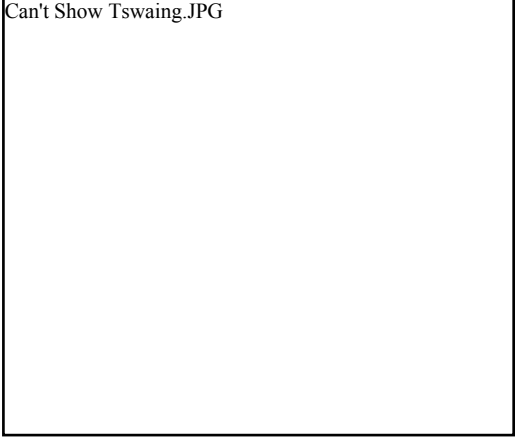


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Tswaing Local Municipality
Annual financial statements
for the year ended 30 June 2014

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

General Information

Mayoral committee

Executive Mayor

Mr KC Mogatusi
Mrs MT Mokgethi - Speaker
Mr TS Heneck - Chief Whip
Mr AT Mabovu - Member (EXCO)
Mr AM Motjale - Member (EXCO)
Miss AM Mokwatsi - Member (EXCO)
Mrs C Visser - Member (EXCO)

Councillors

Mr MP Mphsapudi
Miss KM Lobelo
Mr SS Dirulelo
TM Seitisho
E Galoitsiwe
B. Groenewaldt
S. Kgori
D. Malo
DL Malwane
T Miga
KM Bantsijang
S Botswe
J. Vis
Mr L Lerumo
Mr VT Mathiba
Mr GM Dikolomela
Mr S Tsholo
Miss KV Mohubuke
Mr MS Letlakane
Mr F Bam
Mrs GM Malumane
Mrs Taljaard

Grading of local authority

Low capacity

Chief Finance Officer (CFO)

Mrs S Pelele (Acting)

Accounting Officer

Mr K.S Mere

Registered office

Cnr. General Deleray and Government Street
Delareyville
2770

Business address

Cnr. General Deleray and Government Street
Delareyville
2770

Postal address

P O Box24
Delareyville
2770

Bankers

First National Bank

Auditors

Auditor General South Africa

Telephone number

(053) 948 9403

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

General Information

Fax number

(053) 948 1500

E-mail address

spelele2506@yahoo.com

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

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

The annual financial statements set out on pages 5 to 48, which have been prepared on the going concern basis, were approved by the accounting officer on 28 August 2014 and were signed on its behalf by:

Accounting Officer
Mr K.S Mere

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Notes	2014	2013 Restated*
Assets			
Current Assets			
Inventories	6	773 768	443 556
Receivables from non exchange transactions	7	435 097	783 708
Trade and other receivables from exchange transactions	8	12 997 486	13 482 850
Cash and cash equivalents	9	102	102
		14 206 453	14 710 216
Non-Current Assets			
Investment property	3	32 072 780	32 072 780
Property, plant and equipment	4	369 723 070	334 558 824
Other financial assets	5	868 633	621 409
		402 664 483	367 253 013
Total Assets		416 870 936	381 963 229
Liabilities			
Current Liabilities			
Payables from exchange transactions	12	87 467 616	71 990 078
VAT payable	13	6 355 800	11 812 744
Consumer deposits	14	1 165 985	1 226 371
Unspent conditional grants and receipts	10	(1 352 412)	1 018 319
Provisions	11	1 482 194	1 256 852
Bank overdraft	9	7 564 510	6 919 960
		102 683 693	94 224 324
Non-Current Liabilities			
Provisions	11	47 955 718	45 519 377
Non-current borrowings		-	8 673
		47 955 718	45 528 050
Total Liabilities		150 639 411	139 752 374
Net Assets		266 231 525	242 210 855
Accumulated surplus		266 231 525	242 210 855

* See Note 34

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

Figures in Rand	Notes	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	17	47 799 395	45 436 247
Rental of facilities and equipment		614 707	568 858
Licences and permits		2 249 707	2 131 885
Commissions received		1 040 512	233 918
Donations		2 309 463	-
Other income		1 244 717	1 014 231
Interest received - investment		142 520	551 283
Dividends received		-	19 857
Total revenue from exchange transactions		55 401 021	49 956 279
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	16	12 160 200	9 664 105
Transfer revenue			
Government grants & subsidies		127 984 459	107 482 055
Total revenue from non-exchange transactions		140 144 659	117 146 160
Total revenue	15	195 545 680	167 102 439
Expenditure			
Personnel	21	(65 170 651)	(62 516 802)
Remuneration of councillors	22	(8 975 423)	(7 948 780)
Depreciation and amortisation	24	(19 799 568)	(19 470 437)
Finance costs	25	(762)	(1 633)
Debt impairment	23	(26 584 247)	(34 240 518)
Repairs and maintenance		(4 074 130)	(3 538 733)
Bulk purchases	28	(27 032 074)	(25 471 660)
Contracted services	27	(4 841 437)	(4 971 774)
General Expenses	19	(32 423 479)	(25 819 905)
Total expenditure		(188 901 771)	(183 980 242)
Operating surplus (deficit)	20	6 643 909	(16 877 803)
Actuarial gains/(loss)		2 631 000	(5 011 000)
Fair value adjustment		247 224	-
		2 878 224	(5 011 000)
Surplus (deficit) for the year		9 522 133	(21 888 803)

* See Note 34

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	30 947 136	30 947 136
Adjustments		
Prior year adjustments (see Note 34)	233 152 522	233 152 522
Balance at 01 July 2012 as restated*	264 099 658	264 099 658
Changes in net assets		
Surplus for the year	(21 888 803)	(21 888 803)
Total changes	(21 888 803)	(21 888 803)
Restated* Balance at 01 July 2013	256 709 392	256 709 392
Changes in net assets		
Surplus for the year	9 522 133	9 522 133
Total changes	9 522 133	9 522 133
Balance at 30 June 2014	266 231 525	266 231 525

* See Note 34

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Cash Flow Statement

Figures in Rand	Notes	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Cash received from customers		39 358 966	37 956 986
Grants		113 077 782	102 187 000
Interest income		142 520	551 283
Dividends received		-	19 857
		<u>152 579 268</u>	<u>140 715 126</u>
Payments			
Employee costs		(74 146 074)	(70 465 582)
Cash paid to suppliers		(58 450 172)	(35 605 453)
Finance costs		(762)	(1 633)
		<u>(132 597 008)</u>	<u>(106 072 668)</u>
Net cash flows from operating activities	29	<u>50 856 036</u>	<u>33 684 674</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	<u>(51 491 914)</u>	<u>(43 004 318)</u>
Cash flows from financing activities			
Movement in non-current borrowings		<u>(8 672)</u>	<u>(8 673)</u>
Net increase/(decrease) in cash and cash equivalents		(644 550)	(9 328 317)
Cash and cash equivalents at the beginning of the year		(6 919 858)	2 408 459
Cash and cash equivalents at the end of the year	9	<u>(7 564 408)</u>	<u>(6 919 858)</u>

* See Note 34

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanations
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	52 559 984	-	52 559 984	47 799 395	(4 760 589)	Less revenue due to loss in electricity distribution
Rental of facilities and equipment	545 486	-	545 486	614 707	69 221	
Licences and permits	1 613 138	-	1 613 138	2 249 707	636 569	More licences and permits issued increased therefore increasing the revenue
Commissions received	1 292 622	-	1 292 622	1 040 512	(252 110)	
Royalties received	-	-	-	2 309 463	2 309 463	
Other income	5 026 421	397 377	5 423 798	1 244 717	(4 179 081)	Less revenue due to claims to district municipality not paid
Interest received - investment	25 115	-	25 115	142 520	117 405	
Total revenue from exchange transactions	61 062 766	397 377	61 460 143	55 401 021	(6 059 122)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	10 174 338	-	10 174 338	12 160 200	1 985 862	The increase is due to supplementary valuation roll for government properties
Government grants & subsidies	115 064 000	12 587 946	127 651 946	127 984 459	332 513	
Total revenue from non-exchange transactions	125 238 338	12 587 946	137 826 284	140 144 659	2 318 375	
Total revenue	186 301 104	12 985 323	199 286 427	195 545 680	(3 740 747)	
Expenditure						
Personnel	(62 703 967)	(450 957)	(63 154 924)	(65 170 651)	(2 015 727)	The actual personnel cost include accrued leave expense which is not budgeted for
Remuneration of councillors	(7 974 275)	-	(7 974 275)	(8 975 423)	(1 001 148)	

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Explanations
Figures in Rand						
Depreciation and amortisation	(938 471)	-	(938 471)	(19 799 568)	(18 861 097)	Depreciation was a considerable amount due to unbundling of assets in accordance with GRAP 17. and was not budgeted for.
Finance costs	-	(800)	(800)	(762)	38	
Debt impairment	(5 534 454)	-	(5 534 454)	(26 584 247)	(21 049 793)	Due to provision of impairment for debtors according to GRAP 24.
Repairs and maintenance	(4 469 010)	312 236	(4 156 774)	(4 074 130)	82 644	
Bulk purchases	(29 363 966)	2 275 000	(27 088 966)	(27 032 074)	56 892	
Contracted Services	(5 254 877)	-	(5 254 877)	(4 841 437)	413 440	
General Expenses	(26 247 083)	(2 830 856)	(29 077 939)	(32 423 479)	(3 345 540)	
Total expenditure	(142 486 103)	(695 377)	(143 181 480)	(188 901 771)	(45 720 291)	
Operating surplus	43 815 001	12 289 946	56 104 947	6 643 909	(49 461 038)	
Acturial gains	-	-	-	2 631 000	2 631 000	
Fair value adjustments	-	-	-	247 224	247 224	
	-	-	-	2 878 224	2 878 224	
Deficit for the year from operations	43 815 001	12 289 946	56 104 947	9 522 133	(46 582 814)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	43 815 001	12 289 946	56 104 947	9 522 133	(46 582 814)	

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 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.

1.3 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:

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.3 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. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

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

Allowance for doubtful debts

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

1.4 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.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.4 Investment property (continued)

Fair value

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

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

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

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

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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.

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.5 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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

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

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

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

The revaluation surplus included in net assets related to a specific item of property, plant and equipment is transferred directly to accumulated surplus or deficit as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Item	Average useful life
Buildings	50 years
Machinery and equipment	5 years
Furniture and fixtures	7 years
Motor vehicles	5 years
Office equipment	3 years
Infrastructure	5 -100 yrs
Infrastructure - community	5 -100 years

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

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

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

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

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.6 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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

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1.6 Financial instruments (continued)

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

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

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.6 Financial instruments (continued)

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
VAT payable	Financial liability measured at amortised cost
Unspent conditional grants & receipts	Financial liability measured at fair value

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

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1.6 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.6 Financial instruments (continued)

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the municipality directly to net assets, net of any related income tax benefit. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.7 Leases

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

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.7 Leases (continued)

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.8 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 weighted average cost 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.

1.9 Employee benefits

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

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

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

Tswaing Local Municipality

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Accounting Policies

1.9 Employee benefits (continued)

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

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Accounting Policies

1.9 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.10 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 reflects current market assessments of the time value of money and the risks specific to the liability.

Tswaing Local Municipality

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Accounting Policies

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

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

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Tswaing Local Municipality

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Accounting Policies

1.10 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

1.11 Revenue from exchange transactions

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

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

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

1.12 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

1.13 Investment income

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

1.14 Comparative figures

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

1.15 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.16 Fruitless and wasteful expenditure

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

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

1.17 Irregular expenditure

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

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

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

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

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1.17 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Budget information

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

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

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

The approved budget covers the fiscal period from 2010/04/01 to 2011/03/31.

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

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

1.19 Related parties

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

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

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

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

Tswaing Local Municipality

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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:

Standard/ Interpretation:	Effective date: Years beginning on or after
<ul style="list-style-type: none"> IGRAP16: Intangible assets website costs IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue 	01 April 2013 01 April 2013

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after
<ul style="list-style-type: none"> GRAP 20: Related parties 	01 April 2014

2.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after
<ul style="list-style-type: none"> GRAP 18: Segment Reporting GRAP 105: Transfers of functions between entities under common control 	01 April 2016 01 April 2014

3. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	32 072 780	-	32 072 780	32 072 780	-	32 072 780

Reconciliation of investment property - 2014

	Opening balance	Total
Investment property	32 072 780	32 072 780

Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	32 072 780	32 072 780

Tswaing Local Municipality

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3. Investment property (continued)

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

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

4. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	101 203 597	(19 671 137)	81 532 460	93 314 825	(17 631 061)	75 683 764
Machinery and equipment	185 790	(67 917)	117 873	79 895	(49 170)	30 725
Furniture and fixtures	1 641 156	(894 385)	746 771	1 487 088	(670 329)	816 759
Motor vehicles	10 638 157	(5 439 691)	5 198 466	6 192 587	(4 862 076)	1 330 511
Office equipment	99 303	(63 964)	35 339	99 303	(44 103)	55 200
Computer equipment	660 884	(366 070)	294 814	1 160 825	(151 381)	1 009 444
Work in progress	76 681 042	-	76 681 042	35 823 579	-	35 823 579
Infrastructure	403 446 585	(200 903 587)	202 542 998	403 446 585	(186 292 589)	217 153 996
Infrastructure - community	22 857 639	(22 857 639)	-	20 834 104	(20 834 104)	-
Other assets	318 780	(215 831)	102 949	330 327	(145 839)	184 488
Game	2 470 358	-	2 470 358	2 470 358	-	2 470 358
Total	620 203 291	(250 480 221)	369 723 070	565 239 476	(230 680 652)	334 558 824

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers in/ (out)	Other changes, movements	Depreciation	Total
Land and buildings	75 683 764	-	9 912 307	-	(4 063 611)	81 532 460
Machinery and equipment	30 725	64 800	-	41 095	(18 747)	117 873
Furniture and fixtures	816 759	79 399	-	74 668	(224 055)	746 771
Motor vehicles	1 330 511	551 123	2 309 463	1 584 983	(577 614)	5 198 466
Office equipment	55 200	-	-	-	(19 861)	35 339
Computer equipment	1 009 444	18 345	-	(518 286)	(214 689)	294 814
Work in progress	35 823 579	50 769 770	(9 912 307)	-	-	76 681 042
Infrastructure	217 153 996	-	-	-	(14 610 998)	202 542 998
Other assets	184 488	8 477	-	(20 025)	(69 991)	102 949
Game	2 470 358	-	-	-	-	2 470 358
Total	334 558 824	51 491 914	2 309 463	1 162 435	(19 799 566)	369 723 070

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	79 747 373	-	-	(4 063 609)	75 683 764
Machinery and equipment	22 861	23 705	-	(15 841)	30 725
Furniture and fixtures	1 035 024	4 730	-	(222 995)	816 759
Motor vehicles	1 205 355	467 800	-	(342 644)	1 330 511
Office equipment	75 060	-	-	(19 860)	55 200
Computer equipment	609 485	536 631	-	(136 672)	1 009 444
Work in progress	15 528 914	41 942 952	(21 648 287)	-	35 823 579
Infrastructure	210 116 707	-	21 648 287	(14 610 998)	217 153 996
Other assets	213 804	28 500	-	(57 816)	184 488
Game	2 470 358	-	-	-	2 470 358
	311 024 941	43 004 318	-	(19 470 435)	334 558 824

5. Other financial assets

Designated at fair value

Listed shares	568 633	321 409
Deposit - Eskom Sewerage Plant	300 000	300 000
	868 633	621 409

Non-current assets

Designated at fair value	868 633	621 409
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6. Inventories

Stores, materials and fuels	773 768	443 556
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Inventory pledged as security

No inventory was pledged as security.

7. Receivables from non exchange transactions

Other receivables	435 097	783 708
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8. Trade and other receivables from exchange transactions

Gross balances

Rates	32 969 151	27 085 615
Electricity	32 708 615	4 414 003
Water	29 111 242	46 224 012
Other	283 913	330 557
Sewerage	48 242 112	44 217 242
Refuse	41 598 944	36 039 625
VAT on debtors	8 608 624	8 979 596
Other	(201 241)	(68 173)
	193 321 360	167 222 477

Less: Allowance for impairment

Consumer debtors impairment	(180 323 874)	(153 739 627)
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Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
8. Trade and other receivables from exchange transactions (continued)		
Net balance		
Rates	32 969 151	27 085 615
Electricity	32 708 615	4 414 003
Water	29 111 242	46 224 012
Other	283 913	330 557
Sewerage	48 242 112	44 217 242
Refuse	41 598 944	36 039 625
VAT on debtors	8 608 624	8 979 596
Allowance for impairment	(180 525 115)	(153 807 800)
	12 997 486	13 482 850
Rates		
Current (0 -30 days)	1 033 923	995 195
31 - 60 days	892 871	607 120
61 - 90 days	854 971	532 622
91 - 120 days	30 187 386	24 950 678
	32 969 151	27 085 615
Electricity		
Current (0 -30 days)	2 041 346	2 077 310
31 - 60 days	1 344 433	1 325 233
61 - 90 days	1 043 725	963 964
91 - 120 days	28 279 111	47 496
	32 708 615	4 414 003
Water		
Current (0 -30 days)	483 525	503 094
31 - 60 days	545 629	586 750
61 - 90 days	371 312	457 073
91 - 120 days	27 710 776	44 677 095
	29 111 242	46 224 012
Waste water		
Current (0 -30 days)	7 246	8 766
31 - 60 days	23 667	21 344
61 - 90 days	44 051	37 007
91 - 120 days	208 949	263 440
	283 913	330 557
Sewerage		
Current (0 -30 days)	505 464	481 313
31 - 60 days	467 576	444 851
61 - 90 days	458 007	431 601
91 - 120 days	46 811 065	42 859 477
	48 242 112	44 217 242
Refuse		
Current (0 -30 days)	683 510	658 233
31 - 60 days	626 353	597 496
61 - 90 days	608 676	572 394
91 - 120 days	39 680 405	34 211 502
	41 598 944	36 039 625

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
8. Trade and other receivables from exchange transactions (continued)		
VAT on debtors		
Current (0 -30 days)	45 368	39 006
31 - 60 days	30 323	27 021
61 - 90 days	24 008	23 964
91 - 120 days	8 508 925	8 889 605
	8 608 624	8 979 596
Allowance for impairment		
Allowance for impairment	(180 323 874)	(153 729 627)
Reconciliation of allowance for impairment		
Balance at beginning of the year	(153 739 627)	(119 499 109)
Contributions to allowance	(26 584 247)	(34 240 518)
	(180 323 874)	(153 739 627)
Trade and other pledged as security		
There are no debtors pledged as security for overdraft facilities		
Fair value of trade receivables		
Trade and other receivables	12 997 486	13 482 850
The net trade and other receivables approximates the fair value.		
Consumer debtors impaired		
As of 30 June 2014, trade and other receivables of R 180 323 874 (2013: R 153 739 627) were impaired and provided for.		
The amount of the provision was R 26 584 247 as of 30 June 2014.		
Reconciliation of allowance for impairment of trade and other receivables		
Opening balance	(153 739 627)	(119 499 109)
Allowance for impairment	(26 584 247)	(34 240 518)
	(180 323 874)	(153 739 627)
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	102	102
Bank overdraft	(7 564 510)	(6 919 960)
	(7 564 408)	(6 919 858)
Current assets	102	102
Current liabilities	(7 564 510)	(6 919 960)
	(7 564 408)	(6 919 858)

No cash and cash equivalents have been pledged as security and no restrictions exist on the use of the cash apart from the accounts maintained for conditional grants.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

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9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
First National Bank : Current Account (Primary account) # 52050012816	119 374	62 153	782 227	(7 584 896)	(8 277 198)	773 115
TMT Call Account # 62093258369	-	32 628	30 674	-	36 616	30 674
Delareyville Call Account: #61205002481	-	3 444	3 489	-	3 489	3 489
Housing Development Call Account: #62055030789	-	5 644	5 666	-	5 666	5 666
Housing Development Call Account - 62107561898	-	55 269	165 027	-	51 219	165 027
Money Market Account - 62263163752	20 448	1 260 248	1 427 710	20 488	1 260 248	1 427 710
Total	139 822	1 419 386	2 414 793	(7 564 408)	(6 919 960)	2 405 681

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG	(2 577 884)	1 611 020
FMG	415 117	-
LIBRARY GRANT	(54 255)	-
MSIG	(34 738)	(12 999)
LG SETA	(63 973)	-
EPWP	(521 578)	79 541
INEP	1 484 899	(659 243)
	(1 352 412)	1 018 319

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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11. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Service and interest cost	Acturial gain	Expected benefits	Total
Environmental rehabilitation	13 095 377	733 341	-	-	-	13 828 718
Bonus	1 256 852	225 342	-	-	-	1 482 194
Employee long service benefit cost	3 736 000	612 000	-	(70 000)	(348 000)	3 930 000
Post employment medical aid liability	28 688 000	-	3 722 000	(1 632 000)	(581 000)	30 197 000
	46 776 229	1 570 683	3 722 000	(1 702 000)	(929 000)	49 437 912

Reconciliation of provisions - 2013

	Opening Balance	Additions	Service and interest cost	Acturial loss	Expected benefits payments	Total
Environmental rehabilitation	9 691 600	3 403 777	-	-	-	13 095 377
Bonus	1 238 853	17 999	-	-	-	1 256 852
Employee long service benefit cost	3 736 000	-	-	-	-	3 736 000
Post employment medical aid liability	20 853 000	-	2 824 000	5 593 000	(582 000)	28 688 000
	35 519 453	3 421 776	2 824 000	5 593 000	(582 000)	46 776 229

Non-current liabilities	47 955 718	45 519 377
Current liabilities	1 482 194	1 256 852
	49 437 912	46 776 229

12. Payables from exchange transactions

Trade payables	66 642 886	44 520 782
Payments received in advanced	362 372	360 763
Retentions	6 082 051	8 126 589
Other payables	3 251 472	5 942 849
Accrued leave pay	11 123 806	10 037 690
Credit card	5 029	5 029
Salary creditors	-	2 996 376
	87 467 616	71 990 078

13. VAT payable

Tax payables	6 355 800	11 812 744
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14. Consumer deposits

Rates	1 165 985	1 226 371
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Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
15. Revenue		
Service charges	47 799 395	45 436 247
Rental of facilities and equipment	614 707	568 858
Licences and permits	2 249 707	2 131 885
Commissions received	1 040 512	233 918
Royalties received	2 309 463	-
Other income	1 244 717	1 014 231
Interest received	142 520	551 283
Dividends received	-	19 857
Property rates	12 160 200	9 664 105
Government grants & subsidies	127 984 459	107 482 055
	195 545 680	167 102 439

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

Service charges	47 799 395	45 436 247
Rental of facilities and equipment	614 707	568 858
Licences and permits	2 249 707	2 131 885
Commissions received	1 040 512	233 918
Royalties received	2 309 463	-
Other income	1 244 717	1 014 231
Interest received - investment	142 520	551 283
Dividends received	-	19 857
	55 401 021	49 956 279

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

Taxation revenue

Property rates	12 160 200	9 664 105
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Transfer revenue

Government grants & subsidies	127 984 459	107 482 055
	140 144 659	117 146 160

16. Property rates

Rates received

Property rates	12 160 200	9 664 105
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17. Service charges

Sale of electricity	29 441 504	27 309 565
Sale of water	5 198 229	5 704 665
Sewerage and sanitation charges	3 900 802	3 702 715
Refuse removal	9 155 636	8 581 325
Other service charges	103 224	137 977
	47 799 395	45 436 247

Tswaing Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
18. Government grants and subsidies		
Operating grants		
Equitable share	68 209 000	63 830 000
FMG	1 234 883	2 002 968
Other grants	221 582	1 544 334
EPWP	1 601 119	684 622
LG SETA	404 173	-
MSIG	911 739	801 573
LIBRARY GRANT	414 255	-
	72 996 751	68 863 497
Capital grants		
MIG	38 720 904	30 115 219
INEP	16 266 804	8 503 339
	54 987 708	38 618 558
	127 984 459	107 482 055

Equitable Share

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

MIG

Balance unspent at beginning of year	1 611 020	17 416 239
Current-year receipts	23 407 000	25 435 000
Conditions met - transferred to revenue	(38 720 904)	(30 115 219)
Funds returned/ (surrendered)	11 125 000	(11 125 000)
	(2 577 884)	1 611 020

Conditions still to be met - remain liabilities (see note 10).

The Grant (Municipal Infrastructure Grant - MIG) is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

FMG

Balance unspent at beginning of year	-	1 733 299
Current-year receipts	1 650 000	1 500 000
Conditions met - transferred to revenue	(1 234 883)	(2 002 968)
Other: deducted from equitable share	-	(1 230 331)
	415 117	-

Conditions still to be met - remain liabilities (see note 10).

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

LIBRARY GRANT

Current-year receipts	360 000	-
Conditions met - transferred to revenue	(414 255)	-
	(54 255)	-

Conditions still to be met - remain liabilities (see note 10).

To provide the municipality with finance for the operation and administration of Atamelang and Gaanalogte Community Library.

Tswaing Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
18. Government grants and subsidies (continued)		
MSIG		
Balance unspent at beginning of year	(12 999)	1 391 400
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(911 739)	(801 573)
Other; deducted from Equitable share	-	(1 402 826)
	(34 738)	(12 999)

Conditions still to be met - remain liabilities (see note 10).

To assist the Municipality in building in house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act (MSA) and related legislation, policies and local government turnaround strategy.

LG SETA

Current-year receipts	340 200	-
Conditions met - transferred to revenue	(404 173)	-
	(63 973)	-

Conditions still to be met - remain liabilities (see note 10).

EPWP

Balance unspent at beginning of year	79 541	(657 837)
Current-year receipts	1 000 000	1 422 000
Conditions met - transferred to revenue	(1 601 119)	(684 622)
	(521 578)	79 541

Conditions still to be met - remain liabilities (see note 10).

To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.

INEP

Balance unspent at beginning of year	(659 243)	55 042
Current-year receipts	17 000 000	9 200 000
Conditions met - transferred to revenue	(16 266 804)	(8 503 339)
Other: returned/ (deducted) by Treasury	1 410 946	(1 410 946)
	1 484 899	(659 243)

Conditions still to be met - remain liabilities (see note 10).

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Tswaing Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
19. General expenses		
Advertising	346 380	384 842
Auditors remuneration	2 169 259	2 057 357
Bank charges	304 787	357 335
Casual wages	802 851	452 701
Consulting and professional fees	4 377 016	2 239 542
Consumables	140 762	31 713
Contribution to landfill site provision	733 341	3 403 777
Entertainment	369 684	93 504
Financial systems	205 038	(132 347)
Fines and penalties	484 154	298 013
Fuel and oil	1 066 555	1 038 788
IDP	29 272	12 435
Indigent support	1 728 101	1 781 094
Industrial council levy	20 043	17 767
Insurance	688 065	714 243
LG SETA Learnership	423 034	-
Lease rentals on operating lease	469 274	577 235
Licence fees	352 598	22 013
Local economic development	106 032	-
Past service and interest cost	4 334 000	2 824 000
Loose tools	20 470	677
MSIG expenses	1 005 500	1 411 405
Mayoral projects	117 309	12 000
Medical examination	203 068	-
Membership fees	566 944	147 670
Other expenses	895 706	293 620
Postage and courier	6 459	15 373
Prepaid electricity	871 938	193 852
Printing and stationery	507 608	1 435 817
Protective clothing	358 213	10 171
Public participation	493 713	247 924
Reference books and periodicals	58 965	6 113
Refuse	-	17 800
Security	289 917	129 418
Special projects	121 681	71 426
Stock-take write off	232 478	699 571
Strategic planning	89 984	55 890
Telephone and fax	2 835 340	1 939 795
Town cleaning (EPWP)	1 630 663	822 820
Township development	526 202	-
Traffic technology management fees	-	114 649
Training	193 471	406 851
Travel - local	2 247 604	1 613 051
	32 423 479	25 819 905

Tswaing Local Municipality

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Figures in Rand	2014	2013
20. Operating surplus (deficit)		
Operating surplus (deficit) for the year is stated after accounting for the following:		
Operating lease charges		
Motor vehicles		
• Contractual amounts	227 320	435 722
Equipment		
• Contractual amounts	241 954	141 513
	469 274	577 235
Fair value adjustment	(247 224)	-
Depreciation on property, plant and equipment	19 799 568	19 470 437
Employee costs	74 146 074	70 465 582

Tswaing Local Municipality

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Figures in Rand	2014	2013
21. Employee related costs		
Basic	40 050 886	36 345 093
Bonus	3 281 172	2 755 333
Acting allowances	545 850	285 155
Defined contribution plans	290 070	236 422
Housing benefits and allowances	616 019	727 572
Leave expense	1 857 874	6 092 084
Long-term benefits	7 681 307	6 758 233
Medical aid - company contributions	3 387 627	2 815 188
Overtime payments	3 650 382	3 299 947
SDL	614 512	546 441
Stand by allowance	683 312	654 922
Telephone allowance	22 688	28 688
Travel, motor car, accommodation, subsistence and other allowances	1 509 567	1 628 571
UIF	392 840	343 153
WCA	586 545	-
	65 170 651	62 516 802

Included in the total for employee costs above are remuneration of individual executive managers as detailed below:

Remuneration of municipal manager

Annual Remuneration	557 010	540 000
Backpay	17 010	-
Contributions to UIF, Medical and Pension Funds	184 182	-
Travel, motor car, accommodation, subsistence and other allowances	432 308	407 445
	1 190 510	947 445

Remuneration of chief finance officer

Annual Remuneration	237 000	434 500
Contributions to UIF, Medical and Pension Funds	1 689	-
Other employee related cost - (Salary backpay)	64 464	39 500
Travel, motor car, accommodation, subsistence and other allowances	171 090	338 025
	474 243	812 025

Mr S. Maroga's contract expired on 31 December 2013.

Remuneration of community services manager

Annual Remuneration	133 167	319 600
Back pay	95 880	-
Contributions to UIF, Medical and Pension Funds	1 487	-
Travel, motor car, accommodation, subsistence and other allowances	89 211	221 145
	319 745	540 745

Mr SK Ramphela's contract expired on 30 November 2013.

Remuneration of technical services manager

Annual Remuneration	133 167	319 600
Back pay	53 693	-
Contributions to UIF, Medical and Pension Funds	1 487	-
Travel, motor car, accommodation, subsistence and other allowances	79 333	190 400
	267 680	510 000

Tswaing Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
21. Employee related costs (continued)		
Mr. HJ Breytenbach's contract expired on 30 November 2013.		
Remuneration of corporate services manager		
Annual Remuneration	329 669	319 600
Back pay	10 069	-
Contributions to UIF, Medical and Pension Funds	39 569	-
Travel, motor car, accommodation, subsistence and other allowances	250 194	211 117
	629 501	530 717
22. Remuneration of councillors		
Councillors	5 666 829	6 481 242
Medical and pension contribution	1 237 518	581 589
Travel and other allowances	2 071 076	885 949
	8 975 423	7 948 780
23. Debt impairment		
Contributions to debt impairment provision	26 584 247	34 240 518
24. Depreciation and amortisation		
Property, plant and equipment	19 799 568	19 470 437
25. Finance costs		
Loan	762	1 633
26. Auditors' remuneration		
Fees	2 169 259	2 057 357
27. Contracted services		
Specialist Services	2 464 840	1 798 919
Other Contractors	2 376 597	3 172 855
	4 841 437	4 971 774
28. Bulk purchases		
Electricity	26 268 418	24 878 310
Water	763 656	593 350
	27 032 074	25 471 660

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
29. Cash generated from operations		
Surplus (deficit)	9 522 133	(21 888 803)
Adjustments for:		
Depreciation and amortisation	19 799 568	19 470 437
Loss on sale of assets and liabilities	(247 224)	-
Debt impairment	26 584 247	34 240 518
Movements in provisions	2 661 683	16 231 629
Prior year adjustments(Human Settlement)	5 106 730	-
Other non-cash items (Adjustment for leave provision)	3 399 597	-
Changes in working capital:		
Inventories	(330 212)	112 665
Receivables from non exchange transactions	348 611	(698 608)
Consumer debtors	(26 098 883)	(20 461 823)
Payables from exchange transactions	15 477 538	26 109 472
VAT	(5 456 944)	6 640 636
Unspent conditional grants and receipts	(2 370 731)	(26 107 650)
Consumer deposits	(60 386)	36 201
	50 856 036	33 684 674

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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30. Commitments

Authorised capital expenditure

Approved and contracted for

• Property, plant and equipment	6 127 644	15 557 508
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Operating lease expense (Kyocera)

The municipality entered into a contract with Kyocera for the leasing of photocopying machines, where the municipality will pay monthly rentals of R59,990 for a period of 36 months. Commitments regarding the contract are as follows.

Minimum lease payments due

- within one year	719 880	-
- in second to fifth year inclusive	1 199 800	-
	1 919 680	-

Operating lease expense (Hytel PBX)

Minimum lease payments due

- within one year	212 545	212 545
- in second to fifth year inclusive	35 424	247 969
	247 969	460 514

The municipality entered into a contract with Hytel for the leasing of PBX System, where the municipality will pay monthly rentals of R17,712.10 including maintenance costs for a period of 36 months. Commitments regarding the contract are as follows.

Operating leases of land - as lessor (income)

Minimum lease payments due

- within one year	383 094	364 851
- in second to fifth year inclusive	-	383 094
	383 094	747 945

Certain of the municipality's land is held to generate rental income. Rental of land is expected to generate rentals on an ongoing basis. The land is leased to farmers at a rate of R114/ hectare with an annual escalation of 5% of each agreement. Lease agreements are non-cancellable and have terms equal to 3 years. There are no contingent rents receivable.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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31. Contingencies

Tswaing Local Municipality / D Legoete

Municipality is defending a review application brought by Mr Legoete against the municipality. The matter is still pending and the estimated financial exposure is R150 000.

Tswaing Local Municipality / SB Moeti

Municipality is defending a claim for an application for contempt of court brought by Mr Moeti against the municipality. This matter is still pending and the estimated financial exposure is R150 000.

Tswaing Local Municipality / Moeti

Municipality is defending a claim of R100 000 brought by Mr Moeti against the municipality. This matter is still pending and the estimated financial exposure is R50 000.

Complainant	2014	2013
HJ Breytenbach	1 500 000	-
Imatu (S Moeti)	250 000	-
T. Moopela	100 000	-
BJ Modisane	50 000	-
TMT (Pty) Ltd	61 877	-
Magedonia Trading	300 000	-
CIPC	180 000	-
Midshelf	250 000	-
SB Moeti	15 000	150 000
Pholoholo	150 000	-
Sedike	100 000	-
GJ Bronkhorst	250 000	-
Sello Maroga	250 000	-
PS Buys & Venter	118 000	-
D. Legoete	-	150 000
LR Big Construction CC	-	500 000
Ramalephatso Industries CC	-	100 000
Moeti	-	50 000
Imato	-	500 000
M. Grobler	-	250 000
S. Moeti	-	500 000
T. Tlhaole	-	250 000
Jos Niemann	-	287 555
MJ Coetzer	-	104 885
RO Seletse	-	1 372 538
	3 574 877	4 214 978

32. Material losses

The municipality incurred losses in distribution of electricity amounting to R7 461 019. The distribution losses incurred for the distribution of water could not be ascertained since there are not meters to measure such losses at the reservoirs.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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33. Related parties

Relationships

Accounting Officer	Mr. K.S Mere
Controlling municipality	Ngaka Modiri Molema District Municipality
Members of key management	Mr KS Mere (Municipal Manager)
	Mr S Maroga (Chief Financial Officer)
	Mr TM Ramphele (Community Services Manager)
	Mr HJ Breytenbach (Technical Services Manager)
	Mr AT Yende (Corporate Services Manager)

Councillors, the Municipal Manager and section 57 personnel reporting to the Municipal Manager are considered related parties in light of their control over the municipality as councillors and their management position in terms of positions held in the municipality. No inter-party business transactions took place between the Tswaing Local Municipality and these persons and their close family members for the year under review. Details relating to their remuneration are disclosed in the notes above. Normal consumer services rendered to the public have also been rendered to the mentioned parties at approved tariffs that were advertised to the public.

Related party balances

Receivables - Owing by councillors

MM Botsewe	21 797	-
MS Letlakane	23 425	-
A Mokoatsi	15 093	-
AT Mabovu	20 815	-
TST Tsholo	15 355	-
VTM Mathiba	8 540	-
M Van Der Merwe	4 374	-
KS Monnapule	35 299	-
KV Mohubuke	26 892	-
AM Motjale	9 068	-

Related party transactions

Ngaka Modiri Molema District Municipality

Donated Assets	2 309 463	-
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Remuneration of key employees

Municipal Manager	1 190 510	947 445
Chief Financial Officer	474 243	812 025
Community Services Director	319 745	540 745
Technical Services Director	267 680	510 000
Corporate Service Director	629 501	530 717

Remuneration to Mayoral Committee

Mr K E Mogatusi (Municipal Mayor)	676 474	645 551
Mr T S Heneck (Chief Whip)	507 664	484 167
Mrs M T Mokgethi (Speaker)	622 127	521 640
Mr A T Mabovu - Member (EXCO)	504 288	436 802
Mr A M Motjale - Member (EXCO)	471 604	280 958
Miss A M Mokwatsi - Member (EXCO)	537 568	436 802
Mrs C Visser - Member (EXCO)	300 500	277 490
Councillors	5 355 198	4 865 370

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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34. Prior period errors

Provisions: provision for landfill sites corrected to capture valuation as per to the landfill sites rehabilitation valuation report and defined benefit obligation was corrected to capture valuation as per the actuarials' valuation report.

Trade and other payables: Provision for bonus and leave were reclassified to provisions and there were prior year invoices not included as part of trade payables.

Bulk purchases: correcting understated bulk purchases by capturing unrecorded invoices for prior year.

Government grants and subsidies and Unspent grants: grants corrected to agree to reconciled balances as per the provincial treasury schedules.

Contracted services: correcting understated contracted services by capturing unrecorded invoices for prior year.

Fines: adjusted to agree to the supporting documents

General expenses: correcting overstated general expenses by capturing unrecorded invoices for prior year.

Trade and other receivables: Correction of VAT payable which was erroneously classified under the trade receivable. The amount was reclassified to VAT payable.

Vat payable: Vat payable reclassification from receivables

Cash and cash equivalents: credit card outstanding amount reclassified to current liabilities

Interest earned - external investments: Reclassification of interest earned on bank balance from Adjusted to agree to the supporting documentation

Employee related costs: reclassification of an expense from employee costs

Remuneration of councillors: reclassification of an expense from councillors remuneration

Property, plant and equipment was restated to capture the unbundling of assets performed and the related was accordingly restated

The correction of the errors results in adjustments as follows:

Statement of financial position

Receivables from non exchange transactions	-	698 608
Investment property	-	32 072 780
Trade & other receivables from exchange transactions	-	25 321 147
Property plant and equipment	-	246 909 491
Payables from exchange transactions	-	(31 216 201)
VAT payables	-	(8 462 337)
Unspent conditional grants & receipts	-	(3 636 149)
Bank overdraft	-	13 514
Provisions	-	(56 467 829)
Accumulated Surplus	-	(177 263 717)

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
34. Prior period errors (continued)		
Statement of Financial Performance		
Interest earned - external investments	-	672
Fines	-	(46 497)
Government grants and subsidies	-	(7 333 664)
Other income	-	(135 769)
Employee related costs	-	(3 381 830)
Remuneration of councillors	-	342 432
Depreciation and amortisation expense	-	(18 125 832)
Bulk purchases	-	(10 763 152)
Contracted services	-	(1 298 228)
General expenses	-	699 382
Debt impairment	-	34 240 518
Commission on collections	-	233 918
Actuarial Loss	-	(5 011 000)
Surplus for the year	-	34 240 518

35. Risk management

Financial 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.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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35. Risk management (continued)

Credit risk

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

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

The municipality's maximum exposure to credit risk is equal to the carrying amount of financial assets and liabilities at balance sheet date and is summarised as follows:

Financial instrument	2014	2013
Financial assets - Receivables from exchange transactions	12 997 486	13 482 850
Financial assets - Receivables from non-exchange transactions	435 097	783 708
Cash and cash equivalents	445 707	(6 919 858)
Financial liabilities - payables from exchange transactions	(95 678 971)	(63 551 924)
Other financial assets (investments)	868 633	621 409
Financial liabilities - consumer deposits	(1 165 985)	(1 226 371)

Financial assets by category	At amortised cost	At fair value	At cost	Total
Financial assets - Receivables from exchange transactions	11 230 639	-	-	11 230 639
Financial assets - Receivables from non-exchange transactions	435 097	-	-	435 097
Cash and cash equivalents	-	445 707	-	445 707
	11 665 736	445 707	-	12 111 443

Financial liabilities by category	At amortised cost	At fair value	At cost	Total
Financial liabilities - payables from exchange transactions	(95 678 971)	-	-	(95 678 971)
Financial liabilities - consumer deposits	(1 165 985)	-	-	(1 165 985)
Unspent conditional grants & receipts	-	1 352 412	-	1 352 412
VAT payable	(6 355 800)	-	-	(6 355 800)
	(103 200 756)	1 352 412	-	(101 848 344)

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.

36. Going concern

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

37. Events after the reporting date

No events have occurred after 30 June 2014 which are material enough to warrant adjustment or disclosure within the annual financial statements.

Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
38. Unauthorised expenditure		
Unauthorised expenditure current year	79 503 527	59 792 477
39. Fruitless and wasteful expenditure		
Fruitless and wasteful expenditure current year	1 417 465	-
40. Irregular expenditure		
Irregular Expenditure - current year	12 085 714	36 184 877

Tswaing Local Municipality

Appendix A

June 2014

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
Loan 61002694		8 673	-	8 673	-	-	-
		8 673	-	8 673	-	-	-
Total external loans		8 673	-	8 673	-	-	-

Tswaing Local Municipality

Appendix B

June 2014

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

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Community Facility	27 506 610	-	-	9 912 307	-	-	37 418 917	(11 933 797)	-	-	(1 598 462)	-	(13 532 259)	23 886 658
Land	13 779 025	-	-	-	-	-	13 779 025	-	-	-	-	-	-	13 779 025
Buildings	35 440 486	-	-	-	-	-	35 440 486	(16 586 052)	-	-	(1 981 883)	-	(18 567 935)	16 872 551
Servitudes	19 570 052	-	-	-	-	-	19 570 052	-	-	-	-	-	-	19 570 052
Landfill sites	1 745 805	-	-	-	-	-	1 745 805	(1 045 010)	-	-	(58 193)	-	(1 103 203)	642 602
Sport and recreation facilities	16 106 951	-	-	-	-	-	16 106 951	(8 900 306)	-	-	(425 074)	-	(9 325 380)	6 781 571
	114 148 929	-	-	9 912 307	-	-	124 061 236	(38 465 165)	-	-	(4 063 612)	-	(42 528 777)	81 532 459
Infrastructure														
Electricity network	75 473 784	-	-	-	-	-	75 473 784	(35 343 742)	-	-	(1 563 443)	-	(36 907 185)	38 566 599
Road network	288 342 585	-	-	-	-	-	288 342 585	(129 240 926)	-	-	(11 452 845)	-	(140 693 771)	147 648 814
Community facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater network	31 601 266	-	-	-	-	-	31 601 266	(18 335 763)	-	-	(791 815)	-	(19 127 578)	12 473 688
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water supply network	8 028 950	-	-	-	-	-	8 028 950	(3 372 159)	-	-	(802 895)	-	(4 175 054)	3 853 896
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in Progress	35 825 579	50 769 770	-	(9 912 307)	-	-	76 683 042	-	-	-	-	-	-	76 683 042
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	439 272 164	50 769 770	-	(9 912 307)	-	-	480 129 627	(186 292 590)	-	-	(14 610 998)	-	(200 903 588)	279 226 039
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Tswaing Local Municipality

Appendix B

June 2014

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

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	7 777 571	2 860 586	-	-	-	-	10 638 157	(4 862 077)	-	-	(577 614)	-	(5 439 691)	5 198 466
Machinery & equipment	120 990	64 800	-	-	-	-	185 790	(49 171)	-	-	(18 747)	-	(67 918)	117 872
Computer Equipment	642 540	18 345	-	-	-	-	660 885	(151 382)	-	-	(214 689)	-	(366 071)	294 814
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1 561 758	79 399	-	-	-	-	1 641 157	(670 331)	-	-	(224 056)	-	(894 387)	746 770
Office Equipment	99 303	-	-	-	-	-	99 303	(44 103)	-	-	(19 861)	-	(63 964)	35 339
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Game(Wild animals)	2 470 359	-	-	-	-	-	2 470 359	-	-	-	-	-	-	2 470 359
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	310 303	8 477	-	-	-	-	318 780	(145 840)	-	-	(69 991)	-	(215 831)	102 949
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	12 982 824	3 031 607	-	-	-	-	16 014 431	(5 922 904)	-	-	(1 124 958)	-	(7 047 862)	8 966 569

Tswaing Local Municipality

Appendix B

June 2014

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

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	114 148 929	-	-	9 912 307	-	-	124 061 236	(38 465 165)	-	-	(4 063 612)	-	(42 528 777)	81 532 459
Infrastructure	439 272 164	50 769 770	-	(9 912 307)	-	-	480 129 627	(186 292 590)	-	-	(14 610 998)	-	(200 903 588)	279 226 039
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	12 982 824	3 031 607	-	-	-	-	16 014 431	(5 922 904)	-	-	(1 124 958)	-	(7 047 862)	8 966 569
	566 403 917	53 801 377	-	-	-	-	620 205 294	(230 680 659)	-	-	(19 799 568)	-	(250 480 227)	369 725 067
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	566 403 917	53 801 377	-	-	-	-	620 205 294	(230 680 659)	-	-	(19 799 568)	-	(250 480 227)	369 725 067

Tswaing Local Municipality

Appendix B

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	13 779 025	-	-	-	-	-	13 779 025	-	-	-	-	-	-	13 779 025
Landfill Sites	1 745 805	-	-	-	-	-	1 745 805	(986 816)	-	-	(58 192)	-	(1 045 008)	700 797
Servitude	19 570 052	-	-	-	-	-	19 570 052	-	-	-	-	-	-	19 570 052
Buildings	35 440 486	-	-	-	-	-	35 440 486	(14 604 169)	-	-	(1 981 882)	-	(16 586 051)	18 854 435
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community facilities	27 506 610	-	-	-	-	-	27 506 610	(10 335 335)	-	-	(1 598 462)	-	(11 933 797)	15 572 813
Sport and recreation facilities	16 106 951	-	-	-	-	-	16 106 951	(8 475 232)	-	-	(425 074)	-	(8 900 306)	7 206 645
	114 148 929	-	-	-	-	-	114 148 929	(34 401 552)	-	-	(4 063 610)	-	(38 465 162)	75 683 767
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	31 601 266	-	-	-	-	-	31 601 266	(17 543 949)	-	-	(791 814)	-	(18 335 763)	13 265 503
Electricity network	75 473 784	-	-	-	-	-	75 473 784	(33 780 298)	-	-	(1 563 443)	-	(35 343 741)	40 130 043
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Network	288 342 585	-	-	-	-	-	288 342 585	(117 788 081)	-	-	(11 452 844)	-	(129 240 925)	159 101 660
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Mains & Purification	8 028 950	-	-	-	-	-	8 028 950	(2 569 264)	-	-	(802 894)	-	(3 372 158)	4 656 792
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in Progress	15 528 914	41 942 952	-	(21 648 287)	-	-	35 823 579	-	-	-	-	-	-	35 823 579
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	418 975 499	41 942 952	-	(21 648 287)	-	-	439 270 164	(171 681 592)	-	-	(14 610 995)	-	(186 292 587)	252 977 577
Community Assets														
Community facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Servitudes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Solid waste facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and recreation facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wor	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Tswaing Local Municipality

Appendix B

June 2014

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	7 309 771	467 800	-	-	-	-	7 777 571	(4 488 078)	-	-	(373 999)	-	(4 862 077)	2 915 494
Machinery & equipment	97 285	23 706	-	-	-	-	120 991	(32 738)	-	-	(16 433)	-	(49 171)	71 820
Computer Equipment	105 908	536 631	-	-	-	-	642 539	(14 709)	-	-	(136 672)	-	(151 381)	491 158
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1 557 028	4 730	-	-	-	-	1 561 758	(447 223)	-	-	(223 108)	-	(670 331)	891 427
Office Equipment	99 303	-	-	-	-	-	99 303	(24 243)	-	-	(19 861)	-	(44 104)	55 199
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	281 803	28 500	-	-	-	-	310 303	(76 665)	-	-	(69 175)	-	(145 840)	164 463
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Game (wild animals)	2 470 358	-	-	-	-	-	2 470 358	-	-	-	-	-	-	2 470 358
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	11 921 456	1 061 367	-	-	-	-	12 982 823	(5 083 656)	-	-	(839 248)	-	(5 922 904)	7 059 919

Tswaing Local Municipality

Appendix B

June 2014

Analysis of property, plant and equipment as at 30 June 2013

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	114 148 929	-	-	-	-	-	114 148 929	(34 401 552)	-	-	(4 063 610)	-	(38 465 162)	75 683 767
Infrastructure	418 975 499	41 942 952	-	(21 648 287)	-	-	439 270 164	(171 681 592)	-	-	(14 610 995)	-	(186 292 587)	252 977 577
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	11 921 456	1 061 367	-	-	-	-	12 982 823	(5 083 656)	-	-	(839 248)	-	(5 922 904)	7 059 919
	545 045 884	43 004 319	-	(21 648 287)	-	-	566 401 916	(211 166 800)	-	-	(19 513 853)	-	(230 680 653)	335 721 263
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	545 045 884	43 004 319	-	(21 648 287)	-	-	566 401 916	(211 166 800)	-	-	(19 513 853)	-	(230 680 653)	335 721 263

June 2014

Segmental analysis of property, plant and equipment as at 30 June 2014	
Cost/Revaluation	Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council	140 226	-	-	-	-	-	140 226	(47 516)	-	-	(26 648)	-	(74 164)	66 062
Finance & Admin	815 514	10 124	-	-	-	-	825 638	(295 214)	-	-	(196 035)	-	(491 249)	334 389
Technical Services	4 388 012	1 749 679	-	-	-	-	6 137 691	(2 329 979)	-	-	(423 511)	-	(2 753 490)	3 384 201
Community & Social Services	32 139 664	11 181 416	-	-	-	11 771 410	55 092 490	(14 923 304)	-	-	(1 992 721)	-	(16 916 025)	38 176 465
Corporate Services	535 659	2 695	-	-	-	-	538 354	(260 688)	-	-	(84 503)	-	(345 191)	193 163
Sport & Recreation	16 106 951	-	-	-	-	-	16 106 951	(8 900 306)	-	-	(425 074)	-	(9 325 380)	6 781 571
Waste Management	1 745 805	-	-	-	-	-	1 745 805	(1 045 010)	-	-	(58 193)	-	(1 103 203)	642 602
Road Transport	319 943 851	-	-	-	-	14 923 014	334 866 865	(147 576 689)	-	-	(12 244 659)	-	(159 821 348)	175 045 517
Water	8 028 950	-	-	-	-	-	8 028 950	(3 372 159)	-	-	(802 895)	-	(4 175 054)	3 853 896
Electricity	75 473 784	-	-	-	-	49 986 619	125 460 403	(35 343 742)	-	-	(1 563 443)	-	(36 907 185)	88 553 218
Other	71 259 921	-	-	-	-	-	71 259 921	(16 586 053)	-	-	(1 981 883)	-	(18 567 936)	52 691 985
	530 578 337	12 943 914	-	-	-	76 681 043	620 203 294	(230 680 660)	-	-	(19 799 565)	-	(250 480 225)	369 723 069
Total	530 578 337	12 943 914	-	-	-	76 681 043	620 203 294	(230 680 660)	-	-	(19 799 565)	-	(250 480 225)	369 723 069

Tswaing Local Municipality

Appendix D

June 2014

Segmental Statement of Financial Performance for the year ended June 2013 June 2014

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
66 175 907	42 599 170	23 576 737	Executive & Council/Mayor and Council	69 756 575	71 745 084	(1 988 509)
13 059 481	12 345 876	713 605	Finance & Admin/Finance	16 318 154	18 336 756	(2 018 602)
39 346 162	34 068 923	5 277 239	Planning and Development/Economic Development/Plan	56 744 265	55 853 837	890 428
-	231 733	(231 733)	Health/Clinics	-	253 072	(253 072)
813 588	7 075 056	(6 261 468)	Comm. & Social/Libraries and archives	3 193 052	8 959 958	(5 766 906)
2 182 433	8 878 758	(6 696 325)	Public Safety/Police	2 323 085	8 494 723	(6 171 638)
89 188	1 742 783	(1 653 595)	Sport and Recreation	-	2 461 236	(2 461 236)
-	1 496 048	(1 496 048)	Environmental Protection/Pollution Control	-	1 329 232	(1 329 232)
12 283 470	6 759 961	5 523 509	Waste Water Management/Sewerage	13 056 438	12 082 819	973 619
-	3 434 014	(3 434 014)	Road Transport/Roads	-	3 966 561	(3 966 561)
5 765 979	5 541 514	224 465	Water/Water Distribution	5 220 546	6 371 232	(1 150 686)
27 386 231	18 729 241	8 656 990	Electricity /Electricity Distribution	29 527 440	30 725 440	(1 198 000)
-	613 050	(613 050)	Other/Air Transport	-	972 848	(972 849)
167 102 439	143 516 127	23 586 312		196 139 555	221 552 798	(25 413 244)
Municipal Owned Entities						
Other charges						