



Dr Ruth S Mompoti  
DISTRICT MUNICIPALITY

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

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

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**DR RUTH S MOMPATI DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**MUNICIPAL MANAGER'S APPROVAL**

The Municipal Finance Management Act (MFMA) gives the Accounting Officer the responsibility to ensure that the financial statements and the related financial information as included in this report are relevant and reliable and are in line with the requirements of S122 of this Act. It is therefore the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the financial year ended 30 June 2014.

These Draft Financial Statements are prepared in accordance with the Standards of the Generally Recognised Accounting Practice (GRAP) including any interpretations and guidelines issued by the Accounting Standards Board. The auditors will express their opinion on whether the financial statements are prepared in all material aspects, in accordance with the reporting framework.

I, as the accounting officer acknowledge that I am responsible for the system of internal control which contributes highly to preparation of these financial statements, as set out on pages 1 to 60, in terms of Section 122 of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. As the accounting officer I can confirm that I have set standards of internal controls, and also ensured that the risks are at all levels minimised and mitigated to ensure that the financial resources of the municipality are utilised effectively and efficiently so as to avoid fruitless and wastefulness at all costs.

As the Accounting Officer, I have reviewed the municipality's cashflow and in that light confirm that the current financial position demonstrates that the municipality is a going concern. I also certify that the remuneration of Councillors and any remunerative benefits as disclosed in note 21 of these financial statements are within the upper limits framework and are in line with Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



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**ZLE TSHETLHO  
MUNICIPAL MANAGER  
29 AUGUST 2014**

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**DR RUTH S MOMPATI DISTRICT MUNICIPALITY  
CHIEF FINANCIAL OFFICER'S REPORT FOR THE YEAR ENDED 30 JUNE 2014**

**1. INTRODUCTION**

**1.1 Background**

These management financial statements are prepared in terms of the Section 122 of the MFMA and presents a report on the status of this municipality's performance against its budget, the management of its revenue, expenditure, assets and liabilities, its operational activities, financial results and the municipal financial position as at 30 JUNE 2014.

The financial statements reflect the achievements in implementing our objectives, key performance indicators and the targets as espoused in the Integrated Development Plan (IDP). The statements represent the level of revenue collected in the past year as well as the operational and capital expenditure spent.

**1.2 GRAP conversion process**

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

**2. MTREF BUDGET**

The MTREF operating and capital for the 2013/14 financial year was approved by Council on 30 May 2013. The budget figures reflected in this

**3. REVIEW OF OPERATING RESULTS**

**3.1 General**

Details of the operating results per vote and classification of revenue and expenditure are included in Appendices A and B. The overall operating results

	Actual 2013 R	Actual 2014 R	Variance 2013/2014 %	Budget 2014 R	Variance Actual/Budget %
Revenue	394 518 277	436 289 569	10,6%	399 893 500	9,1%
Expenditure	339 027 640	387 993 124	14,4%	245 936 413	57,8%
<b>Nett surplus for the year</b>	<b>55 490 637</b>	<b>48 296 445</b>	<b>-13,0%</b>	<b>153 957 087</b>	<b>-68,6%</b>

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY  
CHIEF FINANCIAL OFFICER'S REPORT FOR THE YEAR ENDED 30 JUNE 2014**

**3.2 Revenue**

The detail breakdown of operating revenue is as follows for the period ended 30 JUNE 2014:

	Actual 2013 R	Actual 2014 R	Variance 2013/2014 %	Budget 2014 R	Balance outstanding on budget %
Rental of facilities and equipment	465 091	811 574	74,5%	645 150	25,8%
Interest earned - external investments	3 781 176	3 462 289	-8,4%	3 236 769	7,0%
Interest earned - outstanding debtors	-	-	0,0%	-	0,0%
Government grants and subsidies	389 741 889	431 538 620	10,7%	395 806 928	9,0%
Other income	530 122	294 704	-44,4%	204 654	44,0%
<b>Total revenue</b>	<b>394 518 277</b>	<b>436 107 187</b>	<b>10,5%</b>	<b>399 893 500</b>	<b>9,1%</b>

For explanations of significant variances refer to note 42

**3.3 Expenditure**

Detail breakdown of operating expenditure per classification is as follows for the period ended 30 JUNE 2014:

	Actual 2013 R	Actual 2014 R	Variance 2013/2014 %	Budget 2014 R	Balance remaining on budget %
Employee related costs	65 055 609	85 157 403	30,9%	85 507 380	0,4%
Remuneration of councillors	5 288 382	5 583 779	5,6%	5 523 985	-1,1%
Impairment of receivables	0	-	0,0%	300 000	100,0%
Depreciation and amortisation expense	35 413 199	32 096 071	0,0%	4 133 773	-676,4%
Repairs and maintenance	1 735 498	1 279 357	-26,3%	1 538 949	16,9%
Finance costs	755	-	0,0%	-	0,0%
Bulk purchases	50 816 884	47 085 977	-7,3%	55 160 000	-100,0%
Contracted services	70 453 551	88 250 021	25,3%	10 739 437	-721,7%
Grants and subsidies paid	72 878 274	55 925 371	-23,3%	52 450 330	-6,6%
General expenses	31 407 057	28 425 363	-9,5%	30 582 560	7,1%
<b>Total expenditure</b>	<b>333 049 209</b>	<b>343 803 344</b>	<b>3,2%</b>	<b>245 936 413</b>	<b>-39,8%</b>

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY  
CHIEF FINANCIAL OFFICER'S REPORT**

Detail breakdown of operating expenditure per vote is as follows for the period ended 30 JUNE 2014:

	Actual 2013 R	Actual 2014 R	Variance 2013/2014 %	Budget 2014 R	Balance remaining on budget %
Office of the Executive Mayor	13 795 651	17 381 032	26,0%	18 220 647	4,6%
Office of the Speaker	3 468 709	3 476 788	0,2%	3 288 291	-5,7%
Office of the Municipal Manager	1 970 697	3 405 800	72,8%	3 607 361	5,6%
Internal audit	8 115 546	8 990 852	10,8%	9 169 917	2,0%
Budget and treasury office	14 912 282	15 457 046	3,7%	14 499 592	-6,6%
Corporate services	25 730 631	34 133 300	32,7%	28 817 104	-18,4%
IDP and PIMS	4 219 490	3 715 510	-11,9%	4 368 390	14,9%
Environmental health	6 513 092	8 915 564	36,9%	7 555 563	-18,0%
Fire and disaster management	27 978 242	32 546 069	16,3%	28 870 288	-12,7%
Engineering services	148 570 128	269 475 089	81,4%	111 155 231	-142,4%
Project management unit	64 072 588	-23 286 292	-136,3%	-	#DIV/0!
Economic development, tourism and agr	13 702 154	14 269 366	4,1%	16 384 030	12,9%
<b>Total expenditure</b>	<b>333 049 209</b>	<b>388 480 124</b>	<b>16,6%</b>	<b>245 936 413</b>	<b>-58,0%</b>

**4. REVIEW OF CAPITAL RESULTS**

Detail breakdown of capital expenditure per vote is as follows for the period ended 30 JUNE 2014:

	Actual 2013 R	Actual 2014 R	Variance 2013/2014 %	Budget 2014 R	Balance remaining on budget %
Office of the Executive Mayor	1 043 649	157 630	-84,9%	110 000	-43,3%
Office of the Speaker	126 613	607 184	379,6%	35 000	-1634,8%
Office of the Municipal Manager	56 452	47 797	-15,3%	40 000	-19,5%
Internal audit	144 622	38 851	-73,1%	90 000	56,8%
Budget and treasury office	167 083	89 670	-46,3%	95 000	5,6%
Corporate services	2 900 134	758 791	-73,8%	420 000	-80,7%
IDP and PIMS	12 284	26 926	119,2%	20 000	-34,6%
Environmental health	91 261	51 198	-43,9%	70 000	26,9%
Fire and disaster management	1 013 022	85 597	-91,6%	6 102 872	98,6%
Engineering services	210 427 846	30 262	-100,0%	255 866 958	100,0%
Project management unit	42 139 240	-	-100,0%	108 026 225	100,0%
Economic development, tourism and agr	192 470	85 056	-55,8%	55 000	-54,6%
<b>Total expenditure</b>	<b>258 314 674</b>	<b>1 978 962</b>	<b>-99,2%</b>	<b>370 931 055</b>	<b>99,5%</b>

**8. CONCLUSION**

I would like to extend my appreciation to the Executive Mayor, Speaker, Councillors, Municipal Manager, management, all staff members and all other role players for their support, assistance and participation in getting the job done. Last but not least, the role of the Finance Portfolio Committee Chairperson and members deserves a special mentioning.



**Segomotso Phatudi**  
**CHIEF FINANCIAL OFFICER**  
**29 August 2014**

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

	Note	2014 R	2013 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>105 514 114</b>	<b>138 561 020</b>
Cash and cash equivalents	1	57 991 469	80 659 644
Trade and other receivables from exchange transactions	2	9 447 780	28 560 527
Prepayments	3	59 488	0
VAT receivable	4	37 654 230	28 979 700
Non-current assets held for sale	8	361 148	361 148
<b>Non-current assets</b>		<b>1 775 998 451</b>	<b>1 683 085 387</b>
Property, plant and equipment	5	1 771 485 451	1 679 059 387
Intangible assets	6	700 000	700 000
Non-current debtors: Lekwa Teemane	2	-	-
Investment property carried at fair value	7	3 813 000	3 326 000
<b>Total assets</b>		<b>1 881 512 566</b>	<b>1 821 646 406</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>158 315 125</b>	<b>144 343 947</b>
Trade and other payables from exchange transactions	9	84 954 287	34 784 895
Deposits	10	404 353	404 353
Current provisions	11	3 016 390	2 297 036
Current portion of unspent conditional grants and receipts	13	69 940 095	106 857 663
<b>Non-current liabilities</b>		<b>25 479 272</b>	<b>18 660 736</b>
Non-current provisions	12	25 479 272	18 660 736
<b>Total liabilities</b>		<b>183 794 397</b>	<b>163 004 683</b>
<b>Net assets</b>		<b>1 697 718 168</b>	<b>1 658 641 724</b>
<b>NETT ASSETS</b>			
Reserves		7 725 632	7 445 632
Accumulated surplus / (deficit)		1 689 992 536	1 651 196 092
<b>Total net assets</b>		<b>1 697 718 168</b>	<b>1 658 641 724</b>



**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 R	2013 R
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>			
Rental of facilities and equipment	14	811 574	465 091
Interest earned - external investments	15	3 644 672	3 781 176
Government grants and subsidies	16	431 538 620	389 741 889
Other income	17	294 704	530 122
<b>Total revenue</b>		<b>436 289 569</b>	<b>394 518 277</b>
<b>EXPENSES</b>			
Employee related costs	18	92 338 047	65 055 609
Remuneration of councillors	19	5 620 175	5 288 382
Impairment of receivables		526 027	0
Depreciation and amortisation expense	20	42 048 712	36 485 657
Repairs and maintenance		1 338 721	1 735 498
Finance costs	21	-	755
Bulk purchases	22	59 834 519	50 816 884
Contracted services	23	100 235 740	70 453 551
Grants and subsidies paid	24	56 337 124	77 370 403
General expenses	25	30 158 093	31 820 901
<b>Total expenses</b>		<b>388 437 157</b>	<b>339 027 640</b>
Gain / (loss) on disposal of Property, Plant and Equipment	26	-42 967	-
(Impairment loss) / reversal of impairment loss on revaluation of Property, Plant and Equipment	27	-	-
(Impairment loss) / reversal of impairment loss	28	-	-
Profit / (loss) on fair value adjustment	29	487 000	-
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>48 296 445</b>	<b>55 490 637</b>

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014**

	Note	Revaluation reserve R	Other reserves R	Accumulated surplus / (deficit) R	Total: Net assets R
<b>2013</b>					
Balance at 1 July 2012		7 445 632	-	1 595 705 454	1 603 151 086
Changes in accounting policy	<b>34</b>	-	-	-	-
Restated balance					
Surplus / (deficit) for the year		-	-	55 490 637	55 490 637
Property, Plant and Equipment revalued		-	-	-	-
Correction of period errors					
Capital grants used to purchase Property, Plant and Equipment		-	-	-	-
Offsetting of depreciation		-	-	-	-
<b>Balance at 30 June 2013</b>		<b>7 445 632</b>	<b>-</b>	<b>1 651 196 092</b>	<b>1 658 641 724</b>
<b>2014</b>					
Changes in accounting policy	<b>32</b>	-	-		-
Restated balance					
Surplus / (deficit) for the year		-		48 296 445	48 296 445
Reversal of prior period error				-9 500 001	-9 500 001
Property, Plant and Equipment purchased				-	-
Property, Plant and Equipment revalued		280 000	-		280 000
Offsetting of depreciation		-	-	-	-
<b>Balance at 30 June 2014</b>		<b>7 725 632</b>	<b>-</b>	<b>1 689 992 536</b>	<b>1 697 718 168</b>

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY  
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014**

	Note	2014 R	2013 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other	<b>31</b>	434 949 280	473 617 813
Cash paid to suppliers and employees		-329 237 334	-351 616 501
Cash generated from / (utilised in) operations		105 711 946	122 001 311
Interest received		3 644 672	3 781 176
Interest paid		-	-755
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>109 356 618</b>	<b>125 781 732</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-131 670 659	-91 840 883
Proceeds on disposal of property, plant and equipment		-354 134	
(Increase) / decrease in non-current receivables		-	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>-132 024 793</b>	<b>-91 840 883</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised / (repaid)		-	-
Increase / (Decrease) in consumer deposits		-	-
Decrease / (increase) in short-term loans		-	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>-22 668 175</b>	<b>33 940 848</b>
Cash and cash equivalents at the beginning of the year	<b>32</b>	80 659 644	46 718 796
Cash and cash equivalents at the end of the year		57 991 469	80 659 644

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**1. BASIS OF ACCOUNTING**

**1.1 Basis of presentation**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

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

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 Presentation currency**

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

**1.3 Going concern assumption**

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

**1.4 Comparative information**

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**1.5 Standards, amendments to standards and interpretations issued but not yet effective**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. The nature of the impending changes in accounting policy and the impact on the Municipality's financial statements once implemented are as follows:

<b>GRAP Standard</b>	<b>Effective Date as determined by the Minister of Finance</b>	<b>Possible impact on the Financial Statements at date of initial application</b>
GRAP 18 - Segment Reporting	Unknown	Disclosure and presentation of specific and detailed information about the major activities (service and geographical) undertaken by the municipality, along with the resources allocated to these activities
GRAP 20 - Related Party Disclosures	Unknown	Full disclosure of nature and effect all related party transactions of management, their close members of family,
GRAP 32 - Service Concession Arrangements: Grantor	Unknown	Recognition of a service concession asset and relevant liabilities. Presentation and Disclosure of overall service concession arrangement
GRAP 105 - Transfer of functions between entities under common control	Unknown	Disclosure and presentation of each transaction that relates to a transfer of functions between two entities within the same sphere of government.
GRAP 106 - Transfer of functions between entities not under common control	Unknown	Disclosure and presentation of each transaction that relates to a transfer of functions between two entities not within the same sphere of government.
GRAP 107 - Mergers	Unknown	Full disclosure of the nature and effect of the two entities that are now combined through a merger.
GRAP 108 - Statutory Receivables	Unknown	Recognition and measurement of statutory receivables. Disclosure of statutory receivables to enable users of the financial statements to evaluate the significance of statutory receivables on its financial position and performance.

**2. RESERVES**

**2.1 Re-valuation reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. Land and buildings are not depreciated. Revaluations on land and buildings are performed on an annual basis. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**3. PROPERTY, PLANT AND EQUIPMENT**

**3.1 Initial recognition**

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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**3.2 Subsequent measurement**

**The revaluation model has been chosen for land and buildings.**

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**The cost model has been chosen for all other items of property, plant and equipment.**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**3.3 Depreciation and impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<b>PPE category</b>	<b>Method</b>	<b>Years</b>
Land and buildings	Revalued at fair value	Annually
Infrastructure		
Earthworks	Straight-line method over estimated useful life of assets	88
Pipes - Clay	Straight-line method over estimated useful life of assets	80
Pipes - Concrete	Straight-line method over estimated useful life of assets	80
Pipes - Steel	Straight-line method over estimated useful life of assets	80
Pipes - uPVC	Straight-line method over estimated useful life of assets	75
Buildings - Brick	Straight-line method over estimated useful life of assets	75
Buildings - Steel	Straight-line method over estimated useful life of assets	88
Buildings - Corrugated Iron	Straight-line method over estimated useful life of assets	15
Buildings - Concrete	Straight-line method over estimated useful life of assets	63
Borehole	Straight-line method over estimated useful life of assets	63
Meters : Bulk	Straight-line method over estimated useful life of assets	23
Meters: Consumer	Straight-line method over estimated useful life of assets	23
Valves	Straight-line method over estimated useful life of assets	50
Standpipes	Straight-line method over estimated useful life of assets	38
Fire Hydrants	Straight-line method over estimated useful life of assets	50
Telemetry	Straight-line method over estimated useful life of assets	18
Motor: Electrical	Straight-line method over estimated useful life of assets	18
Motor: Engine	Straight-line method over estimated useful life of assets	23
Pump: Submersible	Straight-line method over estimated useful life of assets	15
Pump: Centrifugal	Straight-line method over estimated useful life of assets	15
Windmill	Straight-line method over estimated useful life of assets	90
Manholes & Chambers (Bricks)	Straight-line method over estimated useful life of assets	73
Manholes & Chambers (Concrete)	Straight-line method over estimated useful life of assets	80
Storage - Steel	Straight-line method over estimated useful life of assets	70
Storage - Plastic	Straight-line method over estimated useful life of assets	48
Reservoirs - Concrete	Straight-line method over estimated useful life of assets	75
Storage - Concrete (Cattle Troughs)	Straight-line method over estimated useful life of assets	75
Support Structure - Steel	Straight-line method over estimated useful life of assets	70
Support Structure - Stone	Straight-line method over estimated useful life of assets	75
Perimeter Protection - Razor Wire	Straight-line method over estimated useful life of assets	28
Perimeter Protection - Precast	Straight-line method over estimated useful life of assets	43
Perimeter Protection - Wire Mesh	Straight-line method over estimated useful life of assets	28
Perimeter Protection - Electrical	Straight-line method over estimated useful life of assets	28
Perimeter Protection - Brick	Straight-line method over estimated useful life of assets	43
Perimeter Protection - Iron Palisade	Straight-line method over estimated useful life of assets	43
Wave Protection	Straight-line method over estimated useful life of assets	95
Switchgear	Straight-line method over estimated useful life of assets	18
Perimeter Protection - Wire	Straight-line method over estimated useful life of assets	28
	Depreciation is calculated as the difference between the opening carrying amount and the revalued amount (average of trade and retail values) at year end	Annually
Official vehicles		
Machinery and equipment	Straight-line method over estimated useful life of assets	7
Office equipment	Straight-line method over estimated useful life of assets	5
Office furniture	Straight-line method over estimated useful life of assets	7
Computer equipment	Straight-line method over estimated useful life of assets	5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
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### **3.4 Derecognition**

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## **4. INTANGIBLE ASSETS**

### **4.1 Initial recognition**

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the municipality can reliably measure the expenditure attributed to the intangible assets during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

### **4.2 Subsequent measurement**

**The cost model has been chosen for intangible assets.**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### **4.3 Amortisation and impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### **4.4 Derecognition**

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.



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**5. INVESTMENT PROPERTY**

**5.1 Initial recognition**

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

**5.2 Subsequent measurement**

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

**5.3 Derecognition**

Investment property will be derecognised when it is disposed off or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

**6. NON-CURRENT ASSETS HELD FOR SALE**

**6.1 Initial recognition**

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

**6.2 Subsequent measurement**

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

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

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

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**7. FINANCIAL INSTRUMENTS**

**7.1 Initial recognition**

Financial instruments are initially recognized at fair value.

**7.2 Subsequent measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of

**7.2.1 Investments**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the

**7.2.2 Trade and other receivables**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off at full value. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

**7.2.3 Trade payables and borrowings**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

**7.2.4 Cash and cash equivalents**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

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**8. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**9. IRREGULAR EXPENDITURE**

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

**10. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful 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.

**11. PROVISIONS**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented

(b) The municipality 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.

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**12. LEASES**

**12.1 Municipality as lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

**12.2 Municipality as lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**13. REVENUE**

**13.1 Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

**13.2 Revenue from non-exchange transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
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**13.3 Grants, Transfers and Donations**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when received.

**14. BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

**15. RETIREMENT BENEFITS**

**Defined Contribution Plan**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue when employees and councillors have rendered

**16. IMPAIRMENT OF ASSETS**

**16.1 Cash-generating assets**

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable amount for Non cash-generating asset or the recoverable service amount of the Cash-generating unit to which the asset belongs is determined.

The recoverable service amount of a Cash-generating unit is the higher of its fair value less costs to sell and its value

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**16.2 Non Cash-generating assets**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount to which the asset belongs is determined.

The recoverable amount of a Non cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**17. CAPITAL COMMITMENTS**

Capital Commitments disclosed are the estimated amounts of capital contracts remaining to be executed after year-

**18. RELATED PARTY TRANSACTIONS**

Parties are considered to be related to the municipality if they have the ability to control or exercise significant influence over the municipality and (or vice versa) in making financial and operational decisions or if both parties are subject to common control. Related party relationships where control exists are disclosed irrespective of whether there have been transactions between the related parties. Related party disclosures for transactions that took place on terms and conditions considered to be "at arms length" and "in the ordinary course of business" are not disclosed. All other transactions with related parties not considered to be "in the ordinary course of business" are disclosed in accordance with GRAP 20: "Related Party Disclosures".

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**19. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the Financial Statements Management is required to make estimates and assumptions that affects the amounts represented in the Financial Statements and related disclosures. Use of available information and application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Financial Statements. Significant judgments include:

- Trade receivable and Loans and Receivables

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

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

- Allowance for slow moving, damaged and absolute 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 operating profit role.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>1. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of the following:		
Cash on hand	1 200	2 137
Cash at bank	38 740 329	43 269 988
Call deposits	19 249 940	37 387 519
	<b>57 991 469</b>	<b>80 659 644</b>

Refer to note 34.8 for a detail breakdown of call deposits.

The municipality has the following bank accounts:

**Current account (Primary bank account)**

FNB - Vryburg branch - Account number : 62460532916

	13 454 799	-
Cash book balance at beginning of year	13 454 799	-
Cash book balance at end of year	13 454 799	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	13 454 799	-

Standard bank - Vryburg branch - Account number : 040423174

Cash book balance at beginning of year	25 285 530	43 269 988
Cash book balance at end of year	25 285 530	
Bank statement balance at beginning of year	25 285 530	43 269 988
Bank statement balance at end of year	25 285 530	43 269 988

**Cash on hand**

	1 200	2 137
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**2. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

<b>2.1 Other debtors</b>	31 507 781	50 094 502
<b>Sub-total</b>	<b>31 507 781</b>	<b>50 094 502</b>
Less: Provision for impairment of receivables	-22 060 002	-21 533 975
<b>Total other debtors</b>	<b>9 447 780</b>	<b>28 560 527</b>

**2.2 Non- Current Debtors**

Amount due by Lekwa Teemane Local Municipality	4 042 000,00	4 042 000,00
Provision for Impairment	-4 042 000,00	-4 042 000,00
	-	-

The Non-Current Debtors are made up of an amount for financial assistance that was provided to Lekwa Teemane Local Municipality to assist them with their outstanding account to Eskom. The initial agreement was for repayment within 12 months, but due to unforeseen circumstances that agreed upon timeframe lapsed and therefore the reclassification from current debtors to non-current debtors.



**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013
	R	R

**Reconciliation of impairment of receivables provision**

Balance at beginning of the year	21 533 975	21 533 975
Contribution to provision	526 027	0
Impairment of receivables written off against provision	-	-
Reversal of provision	-	-
<b>Balance at end of year</b>	<b>22 060 002</b>	<b>21 533 975</b>

**Trade and other receivables past due but not impaired**

Trade and other receivables which are less than 3 months past due are normally not considered to be impaired. At 30 June 2014 : R6343124,0 (30 June 2013 : R51301,254) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

- 1 month past due	4 683	30 164
- 2 months past due	6 338 441	10 712
- 3 months past due	-	10 425

**Trade and other receivables impaired**

As of 30 June 2014, the provision for the impairment of trade and other receivables of R22057564,,0 (30 June 2013 : R21533975,18,0) were impaired and provided for.

The amount of the contribution to the provision was R526026,6,0 (30 June 2013 : R,130).

The ageing of these receivables is as follows:

- 3 to 6 months	2 158 428	6 582
- Over 6 months	2 611 182	21 584 234

The fair value of trade and other receivables approximates their carrying amounts.

**3. PREPAYMENTS**

Prepaid expenses	<b>59 488</b>	<b>0</b>
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SALGA membership and office equipment maintenance relating to the following financial year, were paid during the year. Office rental, SALGA membership fees and office equipment maintenance relating to the current financial year, were paid in the previous year.

**4. VAT RECEIVABLE**

VAT receivable	<b>37 654 230</b>	<b>28 979 700</b>
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VAT is payable on the invoice basis. Payment becomes due and payable to SARS upon issuing of tax invoices.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

2014	2013
R	R

**5. PROPERTY, PLANT AND EQUIPMENT**

Refer **note 44** for reconciliation of carrying value.

**5.1 Details of valuation of Land and buildings**

The effective date of the revaluations was 30 June 2014. Revaluations were performed by an independent valuer, Mr. Philippus Venter (Candidate Valuer - Registration number: 6653/6), of the firm Venter Booyesen and Ferreira. Mr. Philippus Venter was assisted in the valuation by his principal, Mr. HJ Swanepoel (Professional Valuer - Registration number: 3553/8) of the firm Kotze Low and Swanepoel. Venter Booyesen and Ferreira and Kotze Low and Swanepoel are not connected to the entity.

Land and buildings are re-valued independently every year.

Land and buildings were revalued to fair value by using market values. Market values were determined by the averaging of the income capitalization method and the outcomes of comparable transactions. In the case where the market market of buildings can not be reasonably determined, fair value is based on depreciated replacement value.

These assumptions are based on current market conditions and were determined as follow per asset:

**57 McKenzie Street, Vryburg (Enviromental Health Offices)**

This property is revalued to fair value by using market values. Market values are determined by the averaging of the income capitalization method (income capitilization producing property) and the outcomes of comparable transactions of similar properties.

**Income capitalization method (Nett income / Capitolization rate of 16%):**

Reasonable monthly rental	15 884	15 420
- Total offices for R62 (2013: R60) x 232 sq m	14 384	13 920
- Carports for R150 (2013: R150) x 10	1 500	1 500
 Gross potential annual income	 190 608	 185 040
Less: Estimated expenses, insurance, property rates & repairs (15%)	-28 591	-27 756
<b>Nett annual income</b>	<b>162 017</b>	<b>157 284</b>

<b>Market value by capitilization method</b>	<b>1 012 000</b>	<b>980 000</b>
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**Comparable transactions method:**

Current replacement cost of property	1 174 150	1 150 590
Less: 40% adjustment due to market value lower than replacement	-469 660	-460 236
<b>Market value by comparable transaction method</b>	<b>704 490</b>	<b>690 354</b>
<b>Final market value (Average of Income capitilization and Comparable transaction</b>	<b>858 000</b>	<b>845 000</b>

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
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**60 Market Street, Vryburg (Head office)**

This property is revalued to fair value by using market values. Market values are determined by the averaging of the income capitalization method (income capitalization producing property) and the outcomes of comparable transactions of similar properties.

**Income capitalization method (Nett income / Capitalization rate of 16%):**

Reasonable monthly rental	123 100	117 700
- Total offices for R62 (2013: R60) x 1200 sq m	74 400	72 000
- Other space for R43 (2013: R40) x 1000 sq m	43 000	40 000
- Carports for R150 (2013: R150) x 38	5 700	5 700
Gross potential annual income	1 477 200	1 412 400
Less: Estimated expenses, insurance, property rates & repairs (15%)	(221 580)	-211 860
<b>Nett annual income</b>	<b>1 255 620</b>	<b>1 200 540</b>

**Market value by capitalization method**

**7 800 000**                      **7 503 375**

**Comparable transactions method:**

Current replacement cost of property	9 242 075	9 187 075
Less: 40% adjustment due to market value lower than replacement	-3 696 830	-3 674 830
<b>Market value by comparable transaction method</b>	<b>5 545 245</b>	<b>5 512 245</b>

**Final market value (Average of Income capitalization and Comparable transaction methods):**

6 675 000                      6 500 000

**Farm Nieuwejaarsfontein 73**

**Comparable sales method:**

The property only consists of natural grazing and three bore holes and should be valued according to the comparable sales method of valuation. This method has been accepted as a sound evaluation principle by the Courts for agricultural land.

Recent sale of properties in vicinity were between R3,000 and R4,000 per hectare. Given the excellent fence and 3 strong boreholes the land is therefore valued at R4,600 (2013: R4,500) per hectare.

Land value for R4,700 (2013: R4,600) x 46,8936 per hectare	220 400	215 711
<b>Final market value</b>	<b>220 000</b>	<b>215 000</b>

**47 Van Niekerk Street, Vryburg (Disaster House)**

This property is revalued to fair value by using market values. Market values are determined by

**Income capitalization method (Nett income / Capitalization rate of 16%):**

Reasonable monthly rental	16 570	16 050
- Total offices for R62 (2013: R60) x 260 sq m	16 120	15 600
- Carports for R150 (2013: R150) x 3	450	450
Gross potential annual income	198 840	192 600
Less: Estimated expenses, insurance, property rates & repairs (15%)	-29 826	-28 890
Nett annual income	169 014	163 710
Market value by capitalization method	1 056 000	1 023 188

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
Comparable transactions method:		
Current replacement cost of property	1 283 423	1 234 380
Less: 45% adjustment due to market value lower than replacement	-577 540	-555 471
	<b>705 883</b>	<b>678 909</b>
Market value by comparable transaction method		
	<b>880 941</b>	<b>851 000</b>
Final market value (Average of Income capitalization and Comparable transaction methods):		

**Taung Fire Station, Taung**

**Depreciated replacement value method:**

The property is a fire station and therefore of a specialized nature or a specialized building. It is not possible to compare the value of the building to buildings of a similar nature in the vicinity as there are no comparable sales or rentals. The depreciated replacement value method is therefore used to value the building.

Offices, rest rooms, stores, etc. for R3,900 (2013: R3,800) x 283 sq m	1 103 700	1 061 250
Fire appliances for R2,750 (2013: R2,750) x 234 sq m	655 200	631 800
Parking for R1,350 (2013: R1,350) x 126 sq m	170 100	163 800
Store room for R2,600 (2013: R2,600) x 24.5 sq m	63 700	62 475
Verandah for R1,100 (2013: R1,100) x 8 sq m	8 800	8 000

**Replacement value**

<b>2 001 500</b>	<b>1 927 325</b>
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Formula: Replacement value / expected lifespan (60 years) x remaining lifespan (46years (2013: 47 years)):

1 534 483	1 541 860
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**Reasonable depreciated replacement cost**

<b>1 533 000</b>	<b>1 542 000</b>
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**Kagisano Fire Station, Ganyesa**

**Depreciated replacement value method:**

The property is a fire station and therefore of a specialized nature or a specialized building. It is not possible to compare the value of the building to buildings of a similar nature in the vicinity as there are no comparable sales or rentals. The depreciated replacement value method is therefore used to value the building.

Two offices for R5,000 (2013: R4,900) x 32 sq m	160 000	155 200
Fire appliances for R3,600 (2013: R3,500) x 52.54 sq m	189 144	181 263

**Replacement value**

<b>349 144</b>	<b>336 463</b>
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Formula: Replacement value / expected lifespan (60 years) x remaining lifespan (51 years (2013: 52 years)):

296 772	297 208,98
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**Reasonable depreciated replacement cost**

<b>297 000</b>	<b>297 000</b>
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**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

2014	2013
R	R

**9 Van Niekerk Street, Vryburg (Mayoral Offices)**

Property at 9 Van Niekerk street, registered as Erf no 1813, Vryburg, measuring 2 175 square meters with title deed no T653/2010 is a unique property in a small town like Vryburg because there are no similar properties with which it might be compared to. For this reason the comparable sales method cannot be used to determine the market value of the property. The valuation therefore has been conducted utilizing the replacement value method as well as using the willing buyer, willing seller at arms length principal.

Gross replacement value

- Main residence house for R6,750 (2013: R6,700) x 350 sq m
- Entertainment area for R6,750 (2013: R6,700) x 100 sq m
- Two erven for R400,000 each
- Swimming pool for R60,000
- Two boreholes for R20,000
- Double garage & outbuildings for R2,500 (2012: 2,500) x 200 sq m
- Carport for 5 vehicles

4 457 500	4 430 000
2 362 500	2 345 000
675 000	675 000
800 000	800 000
60 000	50 000
20 000	20 000
500 000	500 000
40 000	40 000

Less: Replacement value to market value adjustment (32% reduction)

**Reasonable market value**

-1 470 000	-1 450 000
<b>2 987 500</b>	<b>2 980 000</b>

**Reasonable market value (rounded to R'000)**

<b>2 987 500</b>	<b>2 980 000</b>
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The carrying value of the revalued assets under the cost model would have been:

57 McKenzie Street, Vryburg (EH Offices)	858 000	445 315
60 Market Street, Vryburg (Head office)	6 675 000	3 044 770
47 Van Niekerk Street, Vryburg (Disaster House)	880 000	477 585
Taug Fire Station, Taung	1 533 000	1 067 099
Kagisano Fire Station, Ganyesa	296 000	193 754
Farm Nieuwejaarsfontein 73	220 000	154 000
9 Van Niekerk Street, Vryburg (Mayoral Offices)	2 987 000	2 555 708
	<b>13 449 000</b>	<b>7 938 230</b>

Where the original cost price for the above revalued assets could not be reasonably determined, the initial valuation was used to determine the carrying value at 30 June 2006. The registration date per the title deed is utilised to determine the remaining useful life for depreciation purposes. For the purposes of the above disclosure useful life of 50 years is used. Residual value is set at 20% of the cost price for the offices to take into account the land value portion.

**5.2 Property plant and equipment pledged as security**

No property, plant and equipment is pledged as security.

**6. INTANGIBLE ASSETS**

**6.1 Reconciliation of carrying value**

**Balance brought forward**

Cost  
Change in accounting policy (**Note 33**)  
Accumulated amortisation and impairment losses

<b>700 000</b>	<b>700 000</b>
700 000	700 000
-	-
-	-

Acquisitions  
Amortisation

-	-
-	-

Carrying value of disposals

Cost  
Cost accumulated amortisation

-	-
-	-
-	-

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>Balance carried forward</b>	<b>700 000</b>	<b>700 000</b>
Cost	700 000	700 000
Accumulated amortisation and impairment losses	-	-

**6.2 Intangible assets with indefinite useful lives**

**Wentzel Dam Water Rights**

Water use entitlements in terms of section 25 of the National Water Act (Act 36 of 1998) was permanently transferred from the Schweizer-Reneke Irrigation Board to the Municipality on 1 July 2007 at a cost of R700,000. Due to the fact that water is a renewable natural resource, this intangible asset is regarded as having an indefinite useful life with the result that no amortisation is implemented.

**7. INVESTMENT PROPERTY CARRIED AT FAIR VALUE**

**7.1 Reconciliation of fair value**

<b>Balance brought forward</b>	<b>3 326 000</b>	<b>3 326 000</b>
Acquisitions	-	-
Fair value adjustment	487 000	-
Fair value of disposals	-	-
Impairment loss/Reversal of impairment loss	-	-
Transfers	-	-
Other movements	-	-
<b>Balance carried forward</b>	<b>3 813 000</b>	<b>3 326 000</b>

**7.2 Investment property pledged as security**

No investment property is pledged as security.

**7.3 Details of property**

The carrying value of the revalued assets under the cost model would have been:

Moffat street stores	1 133 846	1 272 203
	<b>1 133 846</b>	<b>1 272 203</b>

Where the original cost price for the above revalued assets could not be reasonably determined, the initial valuation was used to determine the carrying value at 30 June 2006. The registration date per the title deed is utilised to determine the remaining useful life for depreciation purposes. For the purposes of the above disclosure useful life of 50 years is used. Residual value is set at 35% of the cost price to take into account the land value portion.

Rental income from investment property	811 574	465 091
Direct operating expenses from rental generating property	-	-
Direct operating expenses from non-rental generating property	-	-

**7.4 Details of valuation**

The effective date of the revaluations was 30 June 2013. Revaluations were performed by an independent valuer, Mr. Philippus Venter (Candidate Valuer - Registration number: 6653/6), of the firm Venter Booyesen and Ferreira. Mr. Philippus Venter was assisted in the valuation by his principal, Mr. HJ Swanepoel (Professional Valuer - Registration number: 3553/8) of the firm Kotze Low and Swanepoel. Venter Booyesen and Ferreira and Kotze Low and Swanepoel are not connected to the entity.

Investment property are re-valued independently every year.

Venter Booyesen and Ferreira have relevant experience in location and category of the investment property being valued. The valuation was based on open market value for existing use.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
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These assumptions are based on current market conditions and were determined as follow per asset:

**Moffat street stores**

This property is revalued to fair value by using market values. Market values are determined by the averaging of the income capitalization method (income capitilization producing property) and the outcomes of comparable transactions of similar properties.

**Income capitalization method (Nett income / Capitilization rate of 16%):**

Reasonable monthly rental	78 458	61 487
- Total are of offices, store rooms and workshops for R62 (2013: R50)x 1,204 sq m	74 648	57 792
- Pre fabricated sinc structure for R20 (2013: R20) x 18 sq m	360	360
- Carports for R150 (2013: R145) x 23	3 450	3 335
Gross potential annual income	941 496	737 844
Less: Estimated expenses, insurance, property rates & repairs (15%)	-141 224	-110 677
<b>Nett annual income</b>	<b>800 272</b>	<b>627 167</b>
<b>Market value by capitilization method</b>	<b>5 000 000</b>	<b>4 080 638</b>
<b>Comparable transactions method:</b>		
Current replacement cost of property	4 373 299	4 286 324
Less: 40% adjustment due to market value lower than replacement	-1 749 320	-1 714 530
<b>Market value by comparable transaction method</b>	<b>2 623 979</b>	<b>2 571 794</b>
<b>Final market value (Average of Income capitilization and Comparable transaction methods):</b>	<b>3 813 000</b>	<b>3 326 000</b>

Investment property comprises of land and buildings that are leased to third parties. The lease is cancellable with 6 months notice and has a term of 3 years, with annual rents determined by annual escalation of 8%. Subsequent renewals are negotiated with the lessee and on average renewal periods are 3 years.

**7.5 Amounts recognised**

Amounts recognised in surplus or deficit for the year.	<b>487 000</b>	<b>-</b>
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**8. Other Non-Current Assets**

Property, plant and equipment	361 148	361 148
Investment property	-	-
Other assets	-	-
	<b>361 148</b>	<b>361 148</b>

**Land parcels not registered to the Municipality**

Land parcels to the value of R311,500 are currently in the process of being transferred to the Municipality from National Government. Once transferred to the Municipality, these land parcels will be transferred to the owners adjacent to the land parcels. It is expected that this process will be completed by 30 June 2014.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade creditors	57 480 976	11 305 835
Payments received in advance	-	-
Retentions	22 787 603	18 778 696
Staff leave accrual	2 904 530	2 512 863
Bonus provision accrual	-	-
Operating lease payments liability	-	20 241
Other creditors	1 781 179	2 167 259
<b>Total creditors</b>	<b>84 954 287</b>	<b>34 784 895</b>
<b>The movement in staff leave accrual above are reconciled as follows:</b>		
Balance at beginning of year	2 512 863	2 160 179
Transfer from non-current	-	-
Contribution to provision	3 948 352	2 213 178
Expenditure incurred	-3 556 685	-1 860 494
<b>Balance at end of year</b>	<b>2 904 530</b>	<b>2 512 863</b>
<b>The movement in bonus accrual above are reconciled as follows:</b>		
Balance at beginning of year	1 161 976,88	1 180 721,12
Transfer from non-current	-	-
Contribution to provision	1 374 834,52	-18 744,24
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>2 536 811</b>	<b>1 161 977</b>
The fair value of trade and other payables approximates their carrying amounts.		
<b>10. DEPOSITS</b>		
Construction guarantees	404 353	404 353
<b>Total deposits</b>	<b>404 353</b>	<b>404 353</b>
Construction guarantees are reflected at fair value as they are linked to interest bearing call accounts held by the municipality.		
<b>11. CURRENT PROVISIONS</b>		
Performance bonus	1 374 835	1 161 977
Current portion of long-service awards	445 392	181 598
Current portion of continued medical aid contributions	1 196 163	953 461
<b>Total current provisions</b>	<b>3 016 390</b>	<b>2 297 036</b>
Performance bonuses are paid once a year in arrears. The assessment of eligible employees had not taken place at the reporting date and has therefore now been provided for based on the previous year's average performance bonuses paid.		



**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>12. NON-CURRENT PROVISIONS</b>		
Long-service awards	4 442 955	4 378 876
Continued medical aid contributions	21 036 318	14 281 861
<b>Total non-current provisions</b>	<b>25 479 272</b>	<b>18 660 736</b>

Long-service awards are initially payable after 10 years and thereafter every 5 years of continuous service. The provision is an estimate of the long-service based on the current staff complement and remuneration adjusted for fair value.

Continued medical aid contributions are paid on behalf of former officials who have retired at retirement age after at least 10 consecutive years in the service of the municipality. The provision is an estimate of the continued medical aid contributions based on the current staff complement and pensioners adjusted for fair value.

The movement in non-current provisions are reconciled as follows:

**12.1 Long-service awards**

Balance at beginning of year	4 378 876	4 252 013
Contributions to provision	64 079	126 863
Expenditure incurred	-	-
	<b>4 442 955</b>	<b>4 378 876</b>
Transfer to current provision	-	-
<b>Balance at end of year</b>	<b>4 442 955</b>	<b>4 378 876</b>

**Key assumptions**

In estimating the unfunded liability for Long-service awards of the Municipality a number of actuarial assumptions are required. The IAS19 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the Long-service awards arrangement – these are determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and current-service costs are recognised over time.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

2014 R	2013 R
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The key financial and demographic assumptions are summarised below:

**Key Financial Assumptions**

Discount rate	7,0%
General salary inflation (long-term)	7,0%

**Key Demographic Assumptions**

Average retirement age	63
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**Sensitivity analysis**

The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

- (i) The discount rate relative to the salary inflation assumptions; and
- (ii) The average retirement age of employees;

The liability at the valuation date was recalculated to show the effect of increases and decreases on the central assumptions made:

<b>Assumption and change</b>	<b>% change</b>		
Central assumptions		5 841 808	4 560 473
General salary increase: +1%	8,3%	6 327 262	4 703 835
General salary increase: -1%	6,3%	6 210 426	3 858 250
Discount rate: +1%	9,6%	6 401 453	3 861 657
Discount rate: -1%	7,6%	6 284 617	4 708 405
Average retirement age: +1 year	-2,0%	5 724 971	4 486 335
Average retirement age: -1 year	-11,6%	5 166 428	4 033 230

**12.2 Continued medical aid contributions**

Balance at beginning of year	14 281 861	15 098 473
Contributions to provision	6 754 457	-816 613
Expenditure incurred	-	-
	<b>21 036 318</b>	<b>14 281 861</b>
Transfer to current provision	-	-
<b>Balance at end of year</b>	<b>21 036 318</b>	<b>14 281 861</b>

**Key assumptions**

In estimating the liability for Continued medical aid contributions of the Municipality a number of actuarial assumptions are required. The IAS19 Statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement.

It should be noted that the valuation method and assumptions do not affect the ultimate cost of the Continued medical aid contributions arrangement – these are determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and current-service costs are recognised over time.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**2014**  
**R**

**2013**  
**R**

The key financial and demographic assumptions are summarised below:

**Key Financial Assumptions**

Discount rate	7,0%
Health care cost inflation rate	7,0%

**Key Demographic Assumptions**

Average retirement age	63
Continuation of membership at retirement	90%
Mortality during employment	Life expectancy as per the regulations to the Estate Duty Act

Withdrawal from service (Average age: 40 at 30 June 2013 and 39 at 30 June 2012)	6%
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**Sensitivity analysis**

The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

The liability at the valuation date was recalculated to show the effect of increases and decreases on the central assumptions made:

<b>Assumption and change</b>	<b>% change</b>		
Central assumptions		21 279 020	15 235 321
Health care inflation: +1%	8,80%	23 151 574	16 454 147
Health care inflation: -1%	6,80%	22 725 994	16 149 440
Discount rate: +1%	10,56%	23 526 085	16 454 147
Discount rate: -1%	8,56%	23 100 504	16 149 440
Average retirement age: +1 year	0,00%	21 279 020	15 235 321
Average retirement age: -1 year	4,64%	22 266 747	15 942 512
Continuation of membership at retirement: +5%	5,90%	22 534 482	14 707 816
Continuation of membership at retirement: -5%	-4,10%	20 406 580	15 489 130
Withdrawal from service: +5%	11,00%	23 619 712	14 707 816
Withdrawal from service: -5%	1,00%	21 491 810	15 489 130

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
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**13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**13.1 Conditional grants from other spheres of government**

	69 940 095	106 857 664
Municipal infrastructure grant	-	29 190 727
DWAF grant	57 234 919	61 693 967
Department of sport grant	897 237	897 237
IMMIS grant	34 030	34 030
Disaster management fund	5 572 001	579 406
Municipal systems improvement grant	17 824	-
Financial management grant	189 244	157 669
Fire and emergency grant	2 415 163	2 415 163
Rural sanitation program (DDLG&H)	35 039	35 039
Deployment of engineers grant (DDLG&H)	0	0
Vuna awards grant	710	710
Department of transport grant	-178 842	-178 842
National public works grant	1 668 000	-0
Provincial infrastructure grant	957 586	12 032 558
Rural Transport Service and Infrastructure Grant	202 865	
MWIG	402 962	
Rural Household Infrastructure Grant	491 357	
	-	-

**13.2 Other conditional receipts**

LG SETA grant	-0	-0
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**Total unspent conditional grants and receipts**

	69 940 095	106 857 663
Non-current unspent conditional grants and receipts	-	-
Current portion of unspent conditional grants and receipts	69 940 095	106 857 663

See **Note 16** for reconciliation of grants and receipts. These amounts are invested in ring-fenced investments until utilised.

**14. RENTAL OF FACILITIES AND EQUIPMENT**

Rental of facilities	811 574	465 091
<b>Total rentals</b>	<b>811 574</b>	<b>465 091</b>

Rental of facilities are straight lined over the period of the rental agreement. The balance of

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>15. INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	1 596 796	2 087 201
Call accounts	2 047 876	1 693 975
<b>Total interest</b>	<b>3 644 672</b>	<b>3 781 176</b>

**16. GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	225 666 000	209 603 000
Municipal infrastructure grant	126 529 727	88 258 921
DWAF grant	49 611 576	117 938 678
Disaster management fund	99 465	1 790 483
Municipal systems improvement grant	856 035	1 000 000
Financial management grant	1 218 425	1 092 331
Fire and emergency grant	-	1 051 567
Deployment of engineers grant (DDLG&H)	-	13 219
National public works grant (EPWP Incentive Grant)	657 895	6 910 110
Rural Transport and Infrastructure grant	2 077 758	3 096 377
LG SETA grant	2 296 460	-
Rural Household Infrastructure Grant	3 508 643	-
Municipal systems improvement grant	8 297 038	-
PIG	10 708 349	-
Local Government Support Grant	11 250	-
<b>Total government grants and subsidies</b>	<b>431 538 620</b>	<b>430 754 685</b>

**16.1 Equitable share**

This grant is utilised to fund the operations of the municipality in accordance with the approved MTREF budget.

225 666 000	209 603 000
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**16.2 Municipal infrastructure grant**

Balance unspent at beginning of year	29 190 727	6 351 647
Current year receipts	97 339 000	111 098 000
Conditions met - transferred to revenue	-126 529 727	-88 258 921
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>-</b>	<b>29 190 727</b>

This grant was used to construct various water, sewerage and roads infrastructure as part of the upliftment of poorer communities. No funds have been withheld.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>16.3 DWAF grant</b>		
Balance unspent at beginning of year	61 693 967	35 893 172
Current year receipts	57 531 880	143 739 473
Conditions met - transferred to revenue	-49 611 576	-117 938 678
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>69 614 271</b>	<b>61 693 967</b>

This grant was used to construct various water and sewerage infrastructure as part of the upliftment of poorer communities. It was further utilised to fund water services operating subsidy. No funds have been withheld.

**16.4 Department of sport grant**

Balance unspent at beginning of year	897 237	897 237
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>897 237</b>	<b>897 237</b>

This grant was used to construct and upgrade various sporting facilities. No funds have been withheld.

**16.5 IMMIS grant**

Balance unspent at beginning of year	34 030	34 030
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>34 030</b>	<b>34 030</b>

This grant was used to establish IT systems within the greater Dr Ruth S Mompoti District municipalities. No funds have been withheld.

**16.6 Disaster management fund**

Balance unspent at beginning of year	579 406	2 169 889
Current year receipts	5 125 000	200 000
Conditions met - transferred to revenue	-132 405	-1 790 483
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>5 572 001</b>	<b>579 406</b>

This grant was used to develop disaster management plans for the municipality. No funds have been withheld.

**16.7 Municipal systems improvement grant**

Balance unspent at beginning of year	-	-
Current year receipts	890 000	1 000 000
Conditions met - transferred to revenue	-872 176	-1 000 000
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>17 824</b>	<b>-</b>

This grant was used to establish systems within the entire district. No funds have been withheld.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
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**16.8 Financial management grant**

Balance unspent at beginning of year	157 669	-
Current year receipts	1 250 000	1 250 000
Conditions met - transferred to revenue	-1 218 425	-1 092 331
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>189 244</b>	<b>157 669</b>

This grant was used to establish financial management systems within the municipality and to fund the salaries of the National Treasury interns. No funds have been withheld.

**16.9 Fire and emergency grant**

Balance unspent at beginning of year	2 415 163	3 466 730
Current year receipts	-	-
Conditions met - transferred to revenue	0	-1 051 567
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>2 415 163</b>	<b>2 415 163</b>

This grant was used to fund the acquisition of fire and emergency vehicles for the Mamusa Local Municipality. No funds have been withheld.

**16.10 Rural sanitation program (DDL&H)**

Balance unspent at beginning of year	35 039	35 039
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>35 039</b>	<b>35 039</b>

This grant was used for the construction of VIP toilets in the district. No funds have been withheld.

**16.11 Deployment of engineers grant (DDL&H)**

Balance unspent at beginning of year	-55 963	13 220
Current year receipts	-	-
Conditions met - transferred to revenue	55 963	-13 219
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>0</b>	<b>0</b>

This grant was used for the deployment of engineers and engineering interns throughout the entire district. No funds have been withheld.

**16.12 VUNA awards grant**

Balance unspent at beginning of year	710	710
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>710</b>	<b>710</b>

This grant is used to fund the re-branding of the district LED project. No funds have been

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
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	2014 R	2013 R
<b>16.13 Department of transport grant</b>		
Balance unspent at beginning of year	-178 842	-178 842
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>-178 842</b>	<b>-178 842</b>
This grant is used to fund the building of new municipal roads in the District. No funds have been withheld.		
<b>16.14 National public works grant</b>		
Balance unspent at beginning of year	-0	3 879 158
Current year receipts	1 668 000	3 030 952
Conditions met - transferred to revenue	-	-6 910 110
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>1 668 000</b>	<b>-0</b>
This grant is used to fund the building of new municipal roads in the District. No funds have been withheld.		
<b>16.15 Provincial infrastructure grant</b>		
Balance unspent at beginning of year	11 665 935	11 665 935
Current year receipts	-	-
Conditions met - transferred to revenue	-10 708 349	-
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>957 586</b>	<b>11 665 935</b>
This grant is used to fund the building of new municipal roads in the District. No funds have been withheld.		
<b>16.16 LG SETA grant</b>		
Balance unspent at beginning of year	-0	-354 664
Current year receipts	-	750 000
Conditions met - transferred to revenue	-	-395 336
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>-0</b>	<b>-0</b>
This grant is used to fund various learnerships aimed at the youth in the District. No funds have been withheld.		
<b>16.17 Rural Transport Service and Infrastructure Grant</b>		
Balance unspent at beginning of year	366 623	1 688 000
Current year receipts	1 914 000	1 775 000
Conditions met - transferred to revenue	-2 077 758	-3 096 377
<b>Conditions still to be met - transferred to liabilities (see Note 13)</b>	<b>202 865</b>	<b>366 623</b>
This grant is used to fund the establishment of a rural roads management system and asset register. No funds have been withheld.		



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>16.18 Municipal Water Infrastructure Grant</b>		
Balance unspent at the beginning of the year		-
Current Year Receipts	8 700 000	-
Conditions met and transferred to revenue	-8 297 038	-
Conditions still to be met - remaining liability	<b>402 962</b>	<b>-</b>
<b>16.19 Provincial Infrastructure Grant</b>		
Balance unspent at the beginning of the year	-11 665 935	-11 665 935
Current year receipts	-	-
Conditions met - transferred to revenue	10 708 349	-
Conditions still to be met	<b>-957 586</b>	<b>-11 665 935</b>
Based on the allocations set out in the Division of Revenue Act, significant increases in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>17. OTHER INCOME</b>		
Sundry Income	77 180	79 551
Tender document fees	99 618	144 791
Surplus cash	-	200
SDL grant	117 905	283 915
Bursaries for officials recovered	-	21 664
Insurance claims received	-	-
Reversal of impairment of receivables	-	-
Sundry creditors written off	-	-
PPE transfer received	-	-
Recovery of unauthorised, irregular, fruitless & wasteful exp (Note 34)	-	-
<b>Total other income</b>	<b>294 704</b>	<b>530 121</b>
<b>18. EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and wages	56 619 071	41 524 966
Employee related costs - Contributions to UIF, pensions and medical	20 266 970	10 472 450
Travel and motor car allowances	10 589 384	9 348 109
Housing benefits and allowances	1 877 823	1 812 101
Overtime payments	2 392 190	1 255 829
Performance and other bonuses	112 318	-
Long-service awards	508 290	642 155
Other employee related costs	8 397	-
<b>Total employee related costs</b>	<b>92 374 443</b>	<b>65 055 610</b>
There were no advances to employees.		
<b><u>Remuneration of the Municipal Manager</u></b>		
Annual remuneration	746 636	941 319
Performance and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	363 363	94 500
Contributions to UIF, medical and pension funds	134 394	104 331
<b>Total</b>	<b>1 244 393</b>	<b>1 140 150</b>
<b><u>Remuneration of the Chief Financial Officer</u></b>		
Annual remuneration	684 223	646 699
Performance bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	310 474	-
Contributions to UIF, medical and pension funds	145 675	35 144
<b>Total</b>	<b>1 140 372</b>	<b>681 843</b>
<b><u>Remuneration of individual executive managers</u></b>		
Remuneration of individual executive managers are reflected per <b>Note 43</b> .		

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>19. REMUNERATION OF COUNCILLORS</b>		
Executive mayor	567 472	525 467
Speaker	440 863	408 730
Mayoral committee members	2 461 461	1 971 331
Councillors	1 560 377	1 889 499
Councillors' pension, medical aid and SDL contributions	590 003	493 355
<b>Total councillors' remuneration</b>	<b>5 620 175</b>	<b>5 288 382</b>
<b>In-kind benefits</b>		
The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of a Council owned vehicle for official duties.		
<b>20. DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	42 048 590	35 413 199
<b>Total depreciation and amortisation</b>	<b>42 048 590</b>	<b>35 413 199</b>
<b>21. FINANCE COSTS</b>		
Borrowings	-	-
Bank overdraft	-	-
Other	-	755
<b>Total finance costs</b>	<b>-</b>	<b>755</b>
<b>22. BULK PURCHASES</b>		
Water	59 834 519	50 816 884
<b>Total bulk purchases</b>	<b>59 834 519</b>	<b>50 816 884</b>
<b>23. CONTRACTED SERVICES</b>		
Payroll processing	-	107 012
IMMIS Project	-	-
Accounting services	470 691	-
Spatial Development Framework	-	312 532
Business plans and feasibility studies	289 453	-
Section 78 Assessment and WSDP	1 111 657	-
Integrated Man Information Systems (GIS)	4 985 731	6 482 810
Business plans and feasibility studies	2 735 653	3 285 950
Professional Services	-	-
Rural Sanitation Program	90 306 296	60 014 302
Development of LED and Tourism Strategy	95 032	52 749
Benchmarking in Local Economic Development	-	-
Feasibility study on Food Extrusion Plan	241 228	198 198
<b>Total contracted services</b>	<b>100 235 740</b>	<b>70 453 551</b>

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	2014 R	2013 R
<b>24. GRANTS AND SUBSIDIES PAID</b>		
Grants paid to Local Municipalities	51 405 815	70 934 436
Transfers to Community Members	-	-
Grants paid to tourism projects	325 439	250 000
Grants paid to LED projects	2 390 959	3 481 416
Community learnership programs	2 214 911	2 704 551
<b>Total grants and subsidies paid</b>	<b>56 337 124</b>	<b>77 370 403</b>

**25. GENERAL EXPENSES**

Included in general expenses are the following:

Advertising	511 335	533 626
Community Functions	930 273	1 251 260
Audit fee	2 286 060	4 597 560
Congresses and Conferences	239 810	192 852
Bank charges	118 264	67 746
Donations : Executive Mayor's Fund	218 065	247 087
Electricity	487 577	550 481
Entertainment Allowance - SPM	1 314	5 066
Books and publications	73 410	6 591
Entertainment Allowance - Mayor	1 800	-
Cleaning materials and consumables	81 665	58 975
Entertainment Allowance - Councillors	-	19
Entertainment Allowance - Officials	-	6 213
Insurance Premiums	1 287 598	955 233
Internet Charges	283 735	483 061
Kitchen Ware and Cutlery	149	5 367
Legal expenses	647 079	1 254 266
Membership Fees : Societies	1 128 606	443 053
Postage stamps and telegraphs	8 197	3 715
Printing and Stationery	1 401 718	1 227 939
Property Rates	137 049	221 677
Refreshments and Meals	1 401 233	1 248 221
Rental: Equipment	1 088 778	982 041
Rental : Office	1 381 724	1 101 586
Sitting Allowance	161 000	362 500
Sanitary and Refuse Removal	87 329	62 871
Small Tools & Equipment	4 944	27 526
Software Expenses	590 022	143 921
Special Projects	1 455 676	952 521
Security Services	1 425 590	1 255 851
Sundry Expenses	9 551	14 547
Telephone	1 232 443	1 286 034
Training and Courses	1 425 101	1 739 531
Travel and subsistence : Councillors	1 347 622	1 626 819
Travel and subsistence : Officials	4 445 670	4 552 982
Vehicles : Fuel and Oil	1 261 460	1 133 438
Vehicles : Licenses	60 599	44 789
Water supply	142 172	70 245
Workman's Compensation	-	376 741
Bacterial Testing and Analysis	94 071	157 815
Pest Control	7 310	1 700
Uniforms and Protective Clothing	104 745	13 256
Furniture removal costs	49 744	18 100
Bursaries for Officials	297 857	300 200
Promotion and marketing	1 007 660	392 934
Employee assistance program	156 316	-
Community learnership programs	270 327	353 705
Other	805 445	1 489 242
	<b>30 158 093</b>	<b>31 820 901</b>

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>26. GAIN / (LOSS) ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>		
Property, plant and equipment	-42 967	-
Investment property	-	-
Other financial assets	-	-
<b>Total gain / (loss) on disposal of Property, Plant and Equipment</b>	<b>-42 967</b>	<b>-</b>
<b>27. (IMPAIRMENT LOSS) / REVERSAL OF IMPAIRMENT LOSS</b>		
Property, plant and equipment	-	-
Investment property	-	-
Other financial assets	-	-
<b>Total gain / (loss) on impairment</b>	<b>-</b>	<b>-</b>
<b>28. PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT</b>		
Investment property carried at fair value	487 000	-
Other financial assets	-	-
<b>Total profit / (loss) on fair value adjustment</b>	<b>487 000</b>	<b>-</b>
<b>29. CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	48 296 445	55 490 637
Adjustment for:		
Depreciation and amortisation	42 048 712	36 485 657
Gain / (loss) on disposal of Property, Plant and Equipment	42 967	-
PPE transfer received	-	-
Contribution to provisions - non-current	-6 818 536	-498 616
Contribution to provisions - current	-719 354	2 105 902
Finance costs	-	755
Fair value adjustments	-487 000	-
Non cash adjustments as per the Statement of Changes in Net Assets	10 900 720	-
(Impairment loss) / reversal of impairment loss	-	-
Interest earned	-3 644 672	-3 781 176
<b>Operating surplus before working capital changes:</b>	<b>89 619 282</b>	<b>89 803 160</b>
(Increase) / decrease in trade receivables	19 053 260	34 021 957
(Increase) / decrease in other receivables	-	-
(Decrease) / increase in conditional grants and receipts	-36 917 569	36 013 743
(Decrease) / increase in trade payables	50 169 393	-56 279 446
(Decrease) / increase in deposits	-	-
(Increase)/Decrease in Non-current Provisions	-6 818 536	-
(Increase)/Decrease in current Provisions	-719 354	-
(Increase) / decrease in VAT receivable	-8 674 529	18 441 898
<b>Cash generated by / (utilised in) operations</b>	<b>105 711 946</b>	<b>122 001 311</b>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
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**30. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following :

Bank balances and cash	57 991 469	80 659 644
Bank overdrafts	-	-
<b>Total cash and cash equivalents (net of bank overdrafts)</b>	<b>57 991 469</b>	<b>80 659 644</b>

**31. CHANGE IN ACCOUNTING POLICY, CORRECTION OF ERROR, CHANGE IN ESTIMATE AND RESTATEMENT OF COMPARATIVE INFORMATION**

No adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies.

**32. PRIOR PERIOD ERRORS**

The annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) on a basis consistent with the prior year.

The municipality realised while preparing the annual financial statements of the current financial year ended 30 June 2014 that they have not properly accounted for the following items in the previous financial year. The effects of those changes are disclosed below:

**32.1 Trade and Other Receivables from Exchange Transactions**

Balance previously reported		64 297 116
DWA Debtor - Reversal of Incorrect Invoices	-23 589 335	-23 589 335
DWA Debtor - Reversal of Incorrect Invoices	-12 464 233	-12 464 233
Sundry Debtors - Correction of misallocations	792	792
Adjustment for mapping errors - Creditors with debit balances	316 187	316 187
Restated Balance		<b>28 560 527</b>

**32.2 Current Provisions - Performance Bonus**

Balance previously reported		-
Bonus provision contribution recognised	1 374 835	1 374 835
Bonus reversal on payment of bonus	-1 374 835	-1 374 835
Restated Balance		-

**32.3 DWA Grant**

**Unspent Conditional Grants**

Balance previously reported and reconciled		-35 893 172
Balance unspent at the beginning of the year	-158 293 237	-158 293 237
Current year receipts	76 680 545	76 680 545
Conditions met and transferred to revenue		
Restated Balance		<b>-117 505 864</b>

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>Current year receipts - 6506/010</b>		
Previously reported		-158 293 237
Conditional Grants Liability - Correction of incorrect receipts		14 553 765
<i>Restated Balance</i>		<u><u>-143 739 472</u></u>
<b>Conditions met and Transferred to Revenue - 6506/015</b>		
Previously Reported		76 680 545
Grants realised and captured correctly		41 258 135
<i>Restated Balance</i>		<u><u>117 938 680</u></u>
<b>Unspent Conditional Grants - DWA Grant</b>		
Restated Balance and Reconciliation		
Balance unspent at the beginning of the year		-35 893 172
Current year receipts		-143 739 473
Conditions met - transferred to revenue		117 938 678
<i>Restated Balance</i>		<u><u>-61 693 967</u></u>
<b>32.4 Property Plant and Equipment - Opening Balance - Cost</b>		
Balance previously reported		1 863 540 641
Assets transferred to Naledi Local Municipality		-4 492 128
Infrastructure Asset Corrections		1 786 206
Official Vehicles - Reversal of Impairment		-211 138
Official Vehicles - Correction of accumulated depreciation on disposals		-140 253
Computer Equipment - Error on disposal of prior year		-327 632
Office Equipment - Asset Disposal of prior year		-16 735
Office Equipment - Correction of acquisitions from debtors		-792
Official Vehicles - Correction of misallocation in CWIP		1 090 009
Official Vehicles - Correction of misallocation in WIP		1 090 009
Computer Equipment - Correction of misallocation in Acquisitions		21 137
Office Equipment - Correction of misallocation of acquisitions		-21 137
Machinery and Equipment - Correction of acc depreciation on disposals		-2 993
Office Equipment - Correction of error on accum depre on disposals		-89 541
Office Furniture - Correcton of acc depre on disposals		-12 892
Office Furniture - Reversal of Impairment		8 564
Official Vehicles - Transfer to projects		-124 607
Official Vehicles - Reversal of Impairment		-67 305
Computer Equipment - Reversal of Impairment		-1 447
Official Vehicles - Reversal of Impairment		-101 086
<b>Restated Balance</b>		<u><u>1 861 926 881</u></u>

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>32.5 Property, Plant and Equipment - Opening Balance Accumulated Depreciation</b>		
Balance previously reported		192 249 940
Adjustments to Infrastructure Assets capitalised		-517 349
Depreciation on Infrastructure Assets Capitalised		1 072 458
Computer Equipment - Correction of error on acc depre of disposals		198 788
Office Equipment - Correction of error on acc depreciation on disposals		-16 375
Office Equipment - Correction of error on acc depreciation on disposals		7 999
Machinery and Equipment - Reversal of impairment		4 943
Machinery and Equipment - Reversal of impairment		-4 943
Office Equipment - Correction of error on acc depreciation on disposals		49 591
Official Vehicles - Correction of accum depre on disposals		43 998
Official Vehicles - Review of useful life		191 970
Machinery and Equipment - Correction of acc depre on disposals		2 993
Office Equipment - Correction of error on acc depreciation on disposals		89 541
Office Furniture - Correction of acc depre on disposals		12 892
Office Furniture - reversal of impairment		-8 564
Office Furniture - Review of useful life		-2 385
Office Furniture - Review of useful life		2 385
Official Vehicles - Transferred to projects		124 607
Official Vehicles - Reversal of Impairment		67 305
Computer Equipment - Reversal of Impairment		322
Computer Equipment - Reversal of Impairment		1 126
Official Vehicles - Reversal of Impairment		101 085
<b>Restated Balance</b>		<b><u>193 672 326</u></b>

**32.6 Accumulated Suprlus**

Balance previously reported		-1 571 046 726
DWAF Grant - Correction of error		41 258 132
Official vehicles- reversal of impairment		211 138
Official vehicles - Correction of depreciation on disposals		-140 253
Computer Equipment - Error in disposal		327 632
Computer Equipment - correction of error on Acc disposal		-198 788
Office Equipment - Assets disposed prior year		16 735
Office Equipment - Correction of error on Accum Depre of disposals		-7 999
Conditional Grants - Correction of recognised receipts		-19 758 329
VAT correction of incorrect treatment		173 795
Conditional Grants - PIG correction		-5 282 660
<b>Restated Balance</b>		<b><u>-1 554 447 322</u></b>

**32.7 Accumulated Surplus**

Balance previously reported		-1 554 447 322
VAT correction of wrong treatment		-14 145
Assets disposed in the prior year now correctly accounted for		-2 000
Office Equipment - Correction of accum depre on disposals		-49 591
Official Vehicles - Correction of accu depre on disposals		-43 998
Official Vehicles - Review of useful life		191 970
Official Vehicles - Correction unrecognised assets from Lekwa Teemane		-2 491 954
Machinery and Equipment Recognised - Lekwa Teemane Fire Dept		-374 874
Bulk Purchases- prior year accruals reversed		-2 818 929
Depreciation on Fire Dept - (Lekwa Teemane)		193 862
Reversal of prior year correction		14 703 554
Accounting for Prior year depreciation		191 970
<b>Restated Balance</b>		<b><u>-1 544 961 457</u></b>

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
<b>32.8 Capital Work in Progress</b>		
Balance Previously Reported		549 075 381
Official Vehicles now capitalised - correction of prior year allocation		-1 090 009
Official Vehicles now capitalised - correction of prior year allocation		-1 090 009
<b>Restated Balance</b>		<b>546 895 364</b>
<b>33. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>33.1 Unauthorised expenditure</b>		
Balance brought forward	40 618 963	232 581 039
Unauthorised expenditure current year as per note 42.	142 500 743	40 618 963
Written-off by council	-	-232 581 039
Recovery of unauthorised expenditure	-	-
<b>Balance carried forward</b>	<b>183 119 706</b>	<b>40 618 963</b>
<b>33.2 Fruitless and wasteful expenditure</b>		
Balance brought forward	-	-
Fruitless and wasteful expenditure current year	-	-
Condoned or written-off by council	-	-
Recovery of fruitless and wasteful expenditure	-	-
<b>Balance carried forward</b>	<b>-</b>	<b>-</b>
<b>33.3 Irregular expenditure</b>		
Balance brought forward	18 347 353	16 509 196
Irregular expenditure current year	47 356 582	1 838 157
Condoned or written-off by council	-	-
Recovery of irregular expenditure	-	-
<b>Balance carried forward</b>	<b>65 703 935</b>	<b>18 347 353</b>
<b>34. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b><u>34.1 Contributions to organised local government: SALGA NW</u></b>		
Opening balance	-	-
Council subscriptions	868 266	2 813 244
Amount paid - current year	-868 266	-2 813 244
Amount paid - previous year	-	-
<b>Balance overpaid (included in debtors)</b>	<b>-</b>	<b>-</b>
<b><u>34.2 Audit fees</u></b>		
Opening balance	-	-
Current year audit fees	2 286 060	4 597 560
Amount paid - current year	-2 286 060	-4 597 560
Amount paid - previous year	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>



**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014 R	2013 R
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**34.3 VAT**

VAT inputs receivables and VAT outputs receivables are shown in **Note 4**. All VAT returns have been submitted by the due date throughout the year.

**34.4 PAYE and UIF**

Opening balance	6 474	6 474
Current year payroll deductions	14 826 298	12 403 927
Amount paid - current year	-14 826 298	-12 403 927
Amount paid - previous year	-	-
Amounts written-off	-	-
<b>Balance unpaid (included in debtors)</b>	<b>6 474</b>	<b>6 474</b>

The balance carried forward represents overpayments made to SARS in previous years. This matter was resolved with SARS in the 2009/10 financial year.

**34.5 Pension and medical aid deductions**

Opening balance	378	3 520
Current year payroll deductions and council contributions	19 871 510	10 278 456
Amount paid - current year	-19 871 510	-10 278 456
Amount paid - previous year	-378	-3 142
Amounts written-off	-	-
<b>Balance unpaid (included in debtors)</b>	<b>0</b>	<b>378</b>

The balance unpaid represents pension and medical aid differences on control accounts brought forward from previous years. These accounts have now been reconciled.

**34.6 Councillors' arrear consumer accounts**

The following sundry debtor balances were outstanding for more than 90 days from councillors:

Cllr. GKM Lobelo	8 974	46 035
Cllr. CE Tladinyane	11 400	9 066
Cllr. SKM Namusi	-	774
Cllr Letebele P	5 356	5 356
Cllr Kgosieng KM	3 111	-
Cllr Kelaotswe LV	5 139	
Cllr Ndamane OM	188	
Cllr Motlhabane NC	1 213	
Cllr Halenyane	200	
Cllr Kanyane	393	
Cllr Molifi	200	
Cllr Mongale C	100	
Cllr Adonis JA	943	
Cllr Ditshakane MP	596	
Cllr Thiba PK	26 053	
Cllr Mongale OV	68 589	
	<b>132 455</b>	<b>61 231</b>

No arrears are outstanding from any councillor to the municipality for rates or services.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**2014**  
**R**

**2013**  
**R**

**34.7 Non-compliance with Chapter 11 of the Municipal Finance Management Act**

No non-compliance with Chapter 11 of the MFMA

**34.8 Summary of investments (call accounts)**

Description	Bank	Account no	Balance R
MIG	First National Bank	62453114383	773 201
DWAF	First National Bank	62453115224	71 759
Department of Sport Grant	First National Bank	62453121065	917 720
Disaster Management Fund	First National Bank	62453016290	806 232
MSIG	First National Bank	62453016290	882 402
FMG	First National Bank	62453058987	555 867
Rural Sanitation Program (DDL&H)	First National Bank	62453062722	35 724
Deployment of Engineer Grant (DDL&H)	First National Bank	62453121552	1 234
Guarantees	First National Bank	62453066386	395 771
Leave Provision	First National Bank	6245306283	2 225 949
Transition grant: IMMIS	First National Bank	624531194987	35 666
Fire and emergency	First National Bank	62453116404	2 485 114
Rural Water Program (DDL&H)	First National Bank	62453114987	62
Vuna Awards Grant	First National Bank	62453117452	4 211
Department of Transport Grant	First National Bank	62453097472	957 765
Six month investment	First National Bank	71230646229	4 523 911
National Department of Public Works	First National Bank	62453014103	1 109 675
PIG	First National Bank	62453118509	2 043 242
Rural Household Infrastructure Grant	First National Bank	62464422056	45 696
Municipal Water Services Conditional Grant	First National Bank	62460523916	1 378 737
Equitable Share	First National Bank	62483135664	19 249 940

**34.9 Deviation from and ratification of minor breaches of procurement processes**

No deviation from and ratification of minor breaches of procurement processes during the year.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	2014	2013
	R	R

**35. CAPITAL COMMITMENTS**

**35.1 Commitments in respect of capital expenditure**

<b>- Approved and contracted for</b>	<b>128 768 248</b>	<b>332 540 728</b>
Infrastructure	128 041 562	330 015 816
Other	726 686	2 524 912
<b>- Approved but not yet contracted for</b>	<b>464 837 657</b>	<b>413 334 657</b>
Infrastructure	443 218 127	391 718 127
Other	21 619 530	21 616 530
<b>Total</b>	<b>593 605 905</b>	<b>745 875 385</b>

**36.2 Operating leases**

At the reporting date the entity has outstanding commitments under operating leases which

**Operating leases - lessee**

- Within one year	138 532	1 734 997
- In the second to fifth year inclusive	-	1 587 475
- After five years	-	-
<b>Total</b>	<b>138 532</b>	<b>3 322 472</b>

There are no future sublease payments expected.

Operating leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties and office equipment. Leases are negotiated for an average term of 3 years and rentals are fixed. The municipality does not have the option to purchase the assets at the end of the lease period. The municipality has the option to renew the above leases once the period comes to an end. No contingent rent is payable. There are no unusual restrictions imposed by the lease arrangements.

**Operating leases - lessor**

**Minimum lease payments due**

- Within one year	437 293	437 293
- In the second to fifth year inclusive	-	-
- After five years	-	-
<b>Total</b>	<b>437 293</b>	<b>437 293</b>

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

2014 R	2013 R
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Operating leases consists of the following:

Certain of the municipality's property is held to generate rental income. Rental of property is expected to generate rental yields of 18% on an ongoing basis. The lease agreement is cancellable with 6 months notice and has a term of 3 years. There are no contingent rents receivable.

### **36. EMPLOYEE BENEFIT INFORMATION**

#### **36.1 Pension Funds**

Councillors and employees belong to 4 defined contribution retirement funds:

##### **36.1.1 Cape Joint Retirement Fund**

The last actuarial valuation of the Cape Joint Retirement Pension Fund was done at 30 June 2009. This valuation indicated that the fund is in a sound financial condition at the valuation date.

##### **36.1.2 Municipal Councillors Pension Fund**

The last actuarial valuation of the Municipal Councillors Pension Fund was done at 30 June 2008. This valuation indicated that the fund is in a sound financial condition at the valuation date.

##### **36.1.3 National Fund for Municipal Workers**

The last actuarial valuation of the National Fund for Municipal Workers was done at 30 June 2008. This valuation indicated that the fund is in a sound financial condition at the valuation date.

##### **36.1.4 Municipal Gratuity Fund**

The last actuarial valuation of the Municipal Gratuity Fund was done at 30 June 2008. This valuation indicated that the fund is in a sound financial condition at the valuation date.

#### **Contributions**

An amount of R6417 943 (5 894 649) was contributed by Council on behalf of employees and councillors retirement funding. These contributions have been expensed and are included in the employee related costs for the year.

#### **36.2 Medical aid**

Included in the employee costs is an amount paid provided by Council on behalf of employees for medical aid as determined by the life expectancy levels. These contributions have been expensed during the current financial year.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

2014	2013
R	R

**37. CONTINGENT LIABILITIES**

**37.1 DBSA loans transfer from Dr Kenneth Kaunda District Municipality**

The then Southern District Municipality had prior to 2000 taken up loans from the DBSA to finance the upgrading of infrastructure assets in the Mamusa and Lekwa-Teemane Local Municipalities. On 29 September 2000, the then Bophirima District Municipality was established in accordance with the demarcation process. As a result of this process these infrastructure assets were then located within the area of jurisdiction of the Dr Ruth S Mompoti District Municipality. Certain transitional provisions relating to the transfer of assets and liabilities were proclaimed. In accordance with this clause, these matters will vest in the Dr Ruth S Mompoti District Municipality with effect from the date when such a determination is made by the MEC. On 5 December 2008, Official Notice no 18 of 2008 per Provincial Gazette 6562 was issued in terms of which the DBSA loans were transferred retrospectively to the Dr Ruth S Mompoti District Municipality. The municipality is objecting to the Official Notice based on the following main principles:

- a) Proper consultation with the Dr Ruth S Mompoti District Municipality regarding the transfer of the loans was not done prior to the issuing of the Notice as per Section 16(1)(h) of the Municipal Structures Act.
- b) The transfer of the loans will affect the Municipality's cash flow and as a consequence limit it from performing its functions or exercising the powers assigned to it. This is contrary to the requirements per Section 14(2)(b)(iii) of the Municipal Structures Act.

The Dr Ruth Segomotsi Mompoti District Municipality remains committed in resolving the matter in order to reach agreement with all parties involved for the transfer of assets and liabilities from the Dr Kenneth Kaunda District Municipality. The total outstanding balance (including arrears) of the DBSA loans as at 30 June 2014 amount to R117,064,151.26

**37.2 Various legal proceedings**

**37.2.1 G & HG Silver Blue Construction JV**

This Joint Venture instituted legal proceedings against the municipality for payment of an amount of R15,549,361.55 allegedly being due to them in respect of Bid nr BDM2007-013B and the termination of the Joint Venture's services in respect thereof.

The plaintiff has not taken any initiative in quite a while and the municipal legal representative is awaiting a Notice of set down.

The Municipality' financial exposure, should the claim be successful will amount to R15,549,361.55 plus interest at 15.5% per annum and legal costs.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

2014 R	2013 R
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**37.2.2 Botshelo Water**

The municipality received a letter of demand from Botshelo Water for the payment of an amount of R12 238 641,20. The municipality's financial exposure should Botshelo Water claim succeed is estimated at R12 238 641,20

**38. CONTINGENT ASSETS**

**38.1 Land to be transferred**

Land to the value of R311,500 which is owned by the Municipality, but never correctly registered in the name of the Municipality, is currently still in the process of being transferred to the Dr Ruth S Mompoti District Municipality from National Government before it can be transferred to the respective land owners in terms of the various sales agreements. The transactions are estimated to be completed by 30 June 2014.

**39. RELATED PARTIES**

**39.1 Catering services**

-	54 240
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Certain catering services were performed for the municipality during the year by the wife of the Chairperson of the Finance Potfolio Committee, Cllr. PK Thiba.

**39.2 Sports equipment**

-	62 400
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Certain sports equipment and clothing were supplied to the municipality during the year by the husband of the Senior Accountant: Salaries, Me. Anna-Marie Dubber.

**39.3 Accomodation**

**39.3.1 Golden Leopard Resorts**

Certain accomodation services rendered by the Golden Leopard Resorts during the year. Kgosi NC Motlhabane is a related party to that entity.

-	2 012
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**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**2014**  
R

**2013**  
R

**39.3.2 Lefika Bed and Breakfast**

Certain accomodation services rendered by the Lefika Bed and Breakfast during the year. B.C Chichindua is a related party to that entity.

-	<b>4 500</b>
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**40. EVENTS AFTER THE REPORTING DATE**

No material litigation is outstanding against the Municipality. Subsequent to the finalisation of the financial statements it was in the media that the municipality is pursuing with the Kgasu Engineering Case which is going to the High Court before end of November. No finaicial implications can be reported on these financial statements as the amount and uncertainty of the claim could not be determined at the reporting date.

**41. RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising Currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**41.1 Maximum credit risk exposure**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non- payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**2014**  
**R**

**2013**  
**R**

**41.2 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.

Liquidity risk is mitigated by the fact that sundry debtors have been adequately provided for as impaired and that the Municipality has no consumer debtors that will affect available cash balances.

**41.3 Interest rate risk**

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

**41.4 Other price risk**

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

The municipality does not carry any direct consumer debtors as the Water Services Authority in the District. Water and sewerage services are currently performed by appointed water service providers. The municipality is therefore not exposed to the non-payment risk that consumer debtors present.

Long-term Receivables and Other Debtors are individually evaluated annually at year-end date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.



**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

**Original Budget and Adjustment Budget Comparison**

	2014					Explanation of significant differences between the Original and Final Budget
	Original Budget	Adjusting Entries	Final Budget	Variance		
			R	R	%	
<b>REVENUE</b>						
Rental of facilities and equipment	599 940	45 210	645 150	166 424	0%	The municipality anticipated to receive more than what was originally budgeted for in as far as rental of facilities is concerned.
Interest earned - external investments	3 320 000	-83 231	3 236 769	407 903	0%	The municipality reviewed this based on the actual monthly receipts already received at the time of the adjustment budget. Therefore it was anticipated that an amount of R3,236,769 would be received at the end of the financial year.
Government grants and subsidies	373 775 152	22 031 776	395 806 928	35 731 692	9%	A reduction of MIG grant by R23,4m and an approval of the R19,5m on MIG rollover application. An new conditional grant received for Rural Household Infrastructural improvement was received during the financial y
Other income	76 430 147	-76 225 493	204 654	90 050	44%	A reducing expected income on other income which was based on the anticipated amount received from VAT recovered and from the roll over applications which did not material led to this adjustment of the budget.
<b>TOTAL REVENUE</b>	<b>454 125 239</b>	<b>-54 231 739</b>	<b>399 893 500</b>	<b>36 396 069</b>	<b>9%</b>	
<b>EXPENDITURE</b>		-				
Employee related costs	87 513 753	-2 006 373	85 507 380	-6 830 667	-8%	Anticipated savings due to positions that were funded but not yet filled.
Remuneration of councillors	5 571 505	-47 520	5 523 985	-96 190	-2%	-
Impairment of receivables	-	300 000	300 000	-226 027	-75%	A provision for the anticipated impairment
Depreciation	7 995 295	-3 861 522	4 133 773	-37 914 938	-917%	The municipality does not afford to budget enough for the depreciation during the financial year as the infrastructure assets of the municipality are way too high to enable sufficient provision for
Repairs and maintenance	-	1 538 949	1 538 949	200 229	13%	Repairs and maintenance was initially omitted from the budget by mistake.
Interest paid	-	-	-	-	0%	
Bulk purchases	53 159 999	2 000 001	55 160 000	-4 674 519	0%	Due to the emergency water provision in KMLM
Contracted services	10 434 000	305 437	10 739 437	-89 496 303	-833%	Higher than expected expenditure on rural sanitation and other key projects
Grants and subsidies paid	64 248 000	-12 053 085	52 194 915	-4 142 208	-8%	Mainly due to faster implementation of NURP and community learnerships not expected
General expenses	31 381 786	-543 812	30 837 974	679 881	2%	Mainly due to audit fees, travel and subsistence, special projects, etc.
<b>TOTAL EXPENDITURE</b>	<b>260 304 338</b>	<b>-14 367 924</b>	<b>245 936 413</b>	<b>-142 500 743</b>	<b>-58%</b>	
Gain / (loss) on disposal of PPE					-	Not anticipated per budget compilation
(Impairment loss) / reversal of impairment loss					-	Not anticipated per budget compilation
Profit / (loss) on fair value adjustment					-	Not anticipated per budget compilation
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>193 820 901</b>	<b>-39 863 814</b>	<b>153 957 087</b>	<b>178 896 812</b>	<b>-</b>	

Budgeted and Actual Expenditure Comparison

	Original Budget	Adjusting Entries	Final Budget R	2014 Actual R	Variance R	Explanation of significant variances greater than 10% versus budget
<b>REVENUE</b>						
Rental of facilities and equipment	599 940	45 210	645 150	811 574	166 424	-
Interest earned - external investments	3 320 000	-83 231	3 236 769	3 644 672	407 903	
Government grants and subsidies	373 775 152	22 031 776	395 806 928	431 538 620	35 731 692	Mainly due to DWA conditional grant increased during the year on RBIG programme
Other income	76 430 147	-76 225 493	204 654	294 704	90 050	Mainly due to higher than expected SDL grant - not known at time of budget compilation
<b>TOTAL REVENUE</b>	<b>454 125 239</b>	<b>-54 231 739</b>	<b>399 893 500</b>	<b>436 289 569</b>	<b>36 396 069</b>	
<b>EXPENDITURE</b>						
Employee related costs	87 513 753	-2 006 373	85 507 380	92 338 047	-6 830 667	Unbudgeted for arbitration payouts and performance bonus provided for
Remuneration of councillors	5 571 505	-47 520	5 523 985	5 620 175	-96 190	-
Impairment of receivables	-	300 000	300 000	526 027	-226 027	Mainly due to provision for non-payment by other organs of state
Depreciation	7 995 295	-3 861 522	4 133 773	42 048 712	-37 914 938	Mainly due to Infrastructure asset depreciation - difficult to predict at budget time
Repairs and maintenance	-	1 538 949	1 538 949	1 338 721	200 229	-
Bulk purchases	53 159 999	2 000 001	55 160 000	59 834 519	-4 674 519	Due to the emergency water provision in KMLM
Contracted services	10 434 000	305 437	10 739 437	100 235 740	-89 496 303	Higher than expected expenditure on rural sanitation and other key projects
Grants and subsidies paid	64 248 000	-12 053 085	52 194 915	56 337 124	-4 142 208	Mainly due to faster implementation of NURP and community learnerships not expected
General expenses	31 381 786	-543 812	30 837 974	30 158 093	679 881	Mainly due to audit fees, travel and subsistence, special projects, etc.
<b>TOTAL EXPENDITURE</b>	<b>260 304 338</b>	<b>-14 367 924</b>	<b>245 936 413</b>	<b>388 437 156</b>	<b>-142 500 743</b>	
Gain / (loss) on disposal of PPE				-42 967		Not anticipated per budget compilation
(Impairment loss) / reversal of impairment loss				-		Not anticipated per budget compilation
Profit / (loss) on fair value adjustment				487 000		Not anticipated per budget compilation
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>193 820 901</b>	<b>-39 863 814</b>	<b>153 957 087</b>	<b>48 296 446</b>	<b>-</b>	

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	Annual remuneration	Performance bonuses	Car allowance	Contributions to UIF, medical and pension funds	Total
	R	R	R	R	R

**43. REMUNERATION TO INDIVIDUAL EXECUTIVE MANAGERS**

**30 June 2014**

Corporate services	1 012 506,28	-	107 000,00	90 303,80	1 209 810,08
Special projects	393 261,98	-	31 500,00	27 160,16	451 922,14
Internal audit	129 411,17	-	-	129 411,17	258 822,34
Engineering services	600 408,08	-	-	-	600 408,08
Project management unit	965 331,21	-	75 000,00	95 334,78	1 135 665,99
Economic development, tourism & agriculture	885 512,66	-	180 000,00	-	1 065 512,66
Community services	413 252,74	-	99 922,08	-	513 174,82
<b>Total</b>	<b>4 399 684</b>	<b>-</b>	<b>31 500,00</b>	<b>120 903,42</b>	<b>5 235 316,11</b>

**30 June 2013**

Corporate services	793 738	-	105 000	118 679	1 017 417
Special projects	737 535	-	94 500	77 537	909 572
Internal audit	578 087	-	45 500	83 315	706 902
Fire and disaster management	293 837	-	75 000	56 969	425 807
Engineering services	895 019	-	180 000	11 912	1 086 930
Project management unit	734 297	-	94 500	77 513	906 310
Economic development, tourism & agriculture	676 752	-	126 000	92 529	895 281
Community services		-			-
<b>Total</b>	<b>4 709 265</b>	<b>-</b>	<b>720 500</b>	<b>518 454</b>	<b>5 948 219</b>

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

	Land and buildings R	Infrastructure R	WIP R	Official vehicles R	Machinery and equipment R	Office equipment R	Office furniture R	Computer equipment R	Total R
<b>44. PROPERTY, PLANT AND EQUIPMENT - RECONCILIATION OF CARRYING VALUE</b>									
<b>Carrying values at 1 July 2013</b>	13 493 860	1 315 820 928	333 001 908	14 451 756	1 229 158	655 555	951 137	2 144 115	1 681 748 417
Cost	-	1 495 782 387	333 001 908	20 952 267	2 556 912	1 413 206	1 998 320	6 221 882	1 861 926 881
Correction of error (Note 33)	-	-	-	-	-	-	-	-	-
Revaluation	13 493 860	-	-	-	-	-	-	-	13 493 860
Accumulated depreciation	-	-179 961 459	-	-6 500 511	-1 327 753	-757 651	-1 047 183	-4 077 767	-193 672 325
- Cost	-	179 961 459	-	6 500 511	1 327 753	757 651	1 047 183	4 077 767	193 672 325
- Revaluation	-	-	-	-	-	-	-	-	-
Acquisitions	12 761	34 091 221	-	607 184	566 876	58 897	167 505	584 708	36 089 152
Capital under construction	-	-	95 581 507	-	-	-	-	-	95 581 507
Increases in revaluation	-	-	-	-	-	-	-	-	-
Decreases in revaluation	-	-	-	-	-	-	-	-	-
Depreciation	-	36 079 068	-	4 196 677	389 552	248 782	275 815	858 696	42 048 590
- based on cost	-	36 079 068	-	4 196 677	389 552	248 782	275 815	858 696	42 048 590
- based on revaluation	-	-	-	-	-	-	-	-	-
Profit / Loss on disposal of assets	-	-33 303	-	-1	-4 943	-8 736	-10 949	172 897	114 966
Proceeds on disposal of assets	-	-	-	-	-	-	-	-	-
Carrying value on disposals	-	-33 303	-	-67 305	-	-8 736	-2 385	171 772	60 044
Cost / revaluation	-	-33 303	-	-168 390	-2 993	-106 276	-12 892	-27 338	-351 190
Accumulated depreciation	-	-	-	101 085	2 993	97 540	10 507	199 110	411 234
Impaired losses / Reversal of impairment loss	-	-	-	67 304	-4 943	-	-8 564	1 125	54 922
Other movements	-	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2014</b>	13 506 621	1 313 799 778	428 583 415	10 862 263	1 401 539	456 933	831 879	2 043 024	1 771 485 451
Cost	12 761	1 529 840 305	428 583 415	21 391 061	3 115 851	1 357 091	2 152 934	6 779 252	1 993 246 350
Revaluation	13 493 860	-	-	-	-	-	-	-	13 493 860
Accumulated depreciation	-	-216 040 527	-	-10 528 799	-1 714 313	-900 157	-1 321 055	-4 736 228	-235 254 758
- Cost	-	216 040 527	-	10 528 799	1 714 313	900 157	1 321 055	4 736 228	235 254 758
- Revaluation	-	-	-	-	-	-	-	-	-

Refer to **Appendix B** for more detail on property, plant and equipment

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2014**

	Land and buildings R	Infrastructure R	WIP R	Official vehicles R	Machinery and equipment R	Office equipment R	Office furniture R	Computer equipment R	Total R
<b>RECONCILIATION OF CARRYING VALUE</b>									
<b>Carrying values at 1 July 2012</b>	13 169 000	1 348 120 722	333 001 908	4 093 926	989 231	448 713	897 332	1 794 141	1 702 514 972
Cost	-	1 495 782 387	333 001 908	10 990 865	2 167 423	1 140 061	1 799 869	5 336 909	1 850 219 422
Correction of error (Note 33)	-	-	-	-	-	-	-	-	-
Revaluation	13 169 000	-	-	-	-	-	-	-	13 169 000
Accumulated depreciation	-	-147 661 665	-	-6 896 940	-1 178 192	-691 348	-902 537	-3 542 768	-160 873 450
- Cost	-	147 661 665	-	6 896 940	1 178 192	691 348	902 537	3 542 768	160 873 450
- Revaluation	-	-	-	-	-	-	-	-	-
Acquisitions	44 860	-	-	3 565 705	14 615	239 674	198 451	557 341	4 620 647
Capital under construction	-	-	-	-	-	-	-	-	-
Increases in revaluation	-	-	-	-	-	-	-	-	-
Decreases in revaluation	-	-	-	-	-	-	-	-	-
Depreciation	-	32 299 794	-	2 143 808	154 505	115 894	155 595	543 603	35 413 199
- based on cost	-	32 299 794	-	2 143 808	154 505	115 894	155 595	543 603	35 413 199
- based on revaluation	-	-	-	-	-	-	-	-	-
Profit / Loss on disposal of assets	-	-	-	-	-	-	-	-	-
Proceeds on disposal of assets	-	-	-	-	-	-	-	-	-
Carrying value on disposals	-	-	-	-1 270 885	-	-8 736	-	-128 843	-1 408 465
Cost / revaluation	-	-	-	-4 028 349	-	-16 735	-	-327 632	-4 372 716
Accumulated depreciation	-	-	-	2 757 464	-	7 999	-	198 788	2 964 251
Impaired losses / Reversal of impairment loss	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-
<b>Carrying values at 30 June 2013</b>	13 213 860	1 315 820 928	333 001 908	12 301 636	849 341	597 227	940 188	2 334 299	1 679 059 387
Cost	-	1 495 782 387	333 001 908	18 584 919	2 182 038	1 396 471	1 998 320	6 221 882	1 859 167 924
Revaluation	13 213 860	-	-	-	-	-	-	-	13 213 860
Accumulated depreciation	-	-179 961 459	-	-6 283 284	-1 332 697	-799 244	-1 058 132	-3 887 582	-193 322 398
- Cost	-	179 961 459	-	6 283 284	1 332 697	799 244	1 058 132	3 887 582	193 322 398
- Revaluation	-	-	-	-	-	-	-	-	-

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**APPENDIX A**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2014**

	Cost / Revaluation						Accumulated depreciation					Transfer s	Other movemen ts	Carrying value
	Opening balance	Additions	Increase in revaluation	Under construction	Disposals	Closing balance	Opening balance	Depreciatio n	Disposals	Impairment loss / reversal of impairment	Closing balance			
	R	R	R	R	R	R	R	R	R	R	R			
Land and buildings	13 493 860	12 761	-	-	-	13 506 621	-	-	-	-	-	-	-	13 506 621
Infrastructure	1 495 782 387	34 091 221	-	428 583 415	-	1 958 457 023	179 961 459	36 079 068	-	33 303	216 073 830	-	-	1 742 383 193
Official vehicles	20 952 267	607 184	-	-	-168 390	21 391 062	6 500 511	4 196 677	-101 085	-67 304	10 528 799	-	-	10 862 262
Machinery and equipment	2 556 912	566 876	-	-	-2 993	3 120 795	1 327 753	389 552	-2 993	4 943	1 719 256	-	-	1 401 539
Office equipment	1 413 206	58 897	-	-	-106 276	1 365 827	757 651	248 782	-97 540	-	908 894	-	-	456 933
Office furniture	1 998 320	167 505	-	-	-12 892	2 152 934	1 047 183	275 815	-10 507	8 564	1 321 055	-	-	831 878
Computer equipment	6 221 882	584 708	-	-	-27 338	6 779 252	4 077 767	858 696	-199 110	-1 126	4 736 227	-	-	2 043 025
<b>TOTAL</b>	<b>1 542 418 833</b>	<b>36 089 152</b>	<b>-</b>	<b>428 583 415</b>	<b>-317 888</b>	<b>2 006 773 512</b>	<b>193 672 325</b>	<b>42 048 590</b>	<b>-411 234</b>	<b>-21 620</b>	<b>235 288 061</b>	<b>-</b>	<b>-</b>	<b>1 771 485 451</b>

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**APPENDIX B**  
**SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2014**

	Cost / Revaluation						Accumulated depreciation					Carrying value
	Opening balance	Additions	Increase in revaluation	Under construction	Disposals	Closing balance	Opening balance	Additions	Disposals	Impairment loss / reversal of impairment loss	Closing balance	
	R	R	R	R	R	R	R	R	R	R	R	
Office of the Executive Mayor	1 926 401	157 630		-		2 084 031	844 559	323 231	-8 534	-	1 159 256	924 776
Office of the Speaker	186 646	607 184		-	-8 534	802 364	71 618	147 873			219 491	582 873
Office of the Municipal Manager	157 704	47 797		-		205 501	84 233	29 197			113 430	92 071
Internal audit	527 368	38 851		-		566 218	319 242	86 382	-12 232		393 392	172 827
Budget and treasury office	2 072 558	89 670		-	-12 232	2 174 461	1 445 050	258 390	-186 233	-467	1 516 740	657 721
Corporate services	17 581 444	758 791	1 405 000	-	-224 369	19 520 866	2 173 358	729 718	-102 849	-1 064	1 339 727	18 181 140
IDP and PIMS	203 383	26 926		-	-117 104	347 413	113 946	30 673			144 619	202 794
Environmental health	435 598	51 198		-		486 795	242 828	68 352	-	1 126	312 305	174 490
Fire and disaster management	18 263 602	85 597		-	-5 394	18 354 593	6 931 449	3 935 909	-101 085	62 360	10 828 633	7 525 960
Engineering services	1 833 875 452	30 262		72 214 128	-1 400	1 930 505 946	179 217 523	32 209 221			211 426 744	1 719 079 202
Project management unit	352 220			23 367 379		23 719 598	227 602	51 897			279 499	23 440 099
Economic development, tourism and agriculture	1 194 366	85 056		-	-7 330	1 286 752	631 485	210 799	-	-7 032	835 253	451 499
<b>TOTAL</b>	<b>1 876 776 741</b>	<b>1 978 962</b>	<b>1 405 000</b>	<b>95 581 507</b>	<b>-1</b>	<b>2 000 054 538</b>	<b>192 302 891</b>	<b>38 081 642</b>	<b>-410 934</b>	<b>54 923</b>	<b>228 569 087</b>	<b>1 771 485 451</b>

**DR RUTH S MOMPATI DISTRICT MUNICIPALITY**  
**APPENDIX C**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014**

	2014			2013		
	Actual income	Actual Expenditure	Surplus / (Deficit)	Actual income	Actual Expenditure	Surplus / (Deficit)
	R	R	R	R	R	R
Office of the Executive Mayor	17 681 120	17 381 032	300 088	13 400 319	13 795 651	-395 332
Office of the Speaker	4 212 090	3 476 788	735 302	4 110 181	3 468 709	641 472
Office of the Municipal Manager	3 431 189	3 405 800	25 389	3 348 173	1 970 697	1 377 476
Internal audit	9 198 093	8 990 852	207 241	8 975 548	8 115 546	860 003
Budget and treasury office	14 941 772	15 457 046	-515 274	14 756 648	14 912 282	-155 634
Corporate services	31 071 220	34 133 300	-3 062 080	19 256 397	26 144 475	-6 888 078
IDP and PIMS	4 566 359	3 715 510	850 849	4 609 577	4 219 490	390 087
Environmental health	7 686 168	8 915 564	-1 229 396	7 500 205	6 513 092	987 113
Fire and disaster management	28 557 959	32 546 069	-3 988 110	28 494 259	32 470 370	-3 976 111
Engineering services	297 773 418	269 475 089	28 298 329	181 842 417	149 642 586	32 199 831
Project management unit	1 153 631	-23 286 292	24 439 923	88 210 621	64 072 588	24 138 033
Economic development, tourism and agric	16 503 550	14 269 366	2 234 184	20 013 932	13 702 154	6 311 778
Clinics	-	-	-	-	-	-
<b>Total</b>	<b>436 776 569</b>	<b>388 480 124</b>	<b>48 296 446</b>	<b>394 518 277</b>	<b>339 027 640</b>	<b>55 490 637</b>