



Metsimaholo Local Municipality
Annual Financial Statements
for the year ended 30 June 2014

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Services delivery
Council whip	Soetsang TL
Speaker	Matena SZ
Mayoral committee	Khonto MW Kubheka NJ Mabasa KT (Appointed 9 October 2013) Mabefu RJ (Appointed 9 October 2013) Makhoba KJ(Appointed 9 October 2013) Radebe AN Semonyo LS Tshongwe SL
Executive Mayor	Mahlaku BT
Councillors	Chebase LR Coetzer FC Du Plessis J Du Toit T Geyser JJ Grobbelaar JJ Holt S Khunou SB Machaea MF Mahlangu PJ Mare AK Maseko VJ Mdola NL Mofokeng SS Mofokeng TJ Mokoena DE Moolman HJ Moreki S Mosia TE Mosia MM Motloun DN late (deceased on 23 October 2013) Msimanga MJ(resigned 2 September 2013) Mtshali NM) Nnune GB (elected from 12 February 2014) Nthebe MD Ntoane MG Oswald DM Phepheng-Lelahla JM Poho MS Ramathesele S(resigned 1 September 2013)I Sejaki MN Tamane MA Viljoen JD Van der Walt MC

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General Information

Municipal demarcation code	FS204
Grading of local authority	Metsimaholo Local Municipality is a grade 9 Local Authority in terms of item IV of the Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998
Capacity of local authority	High Deneysville Metsimaholo Oranjeville Refengkgotso Sasolburg Vaalpark Zamdela
Accounting Officer	Molala SM
Chief Financial Officer (CFO)	Lambat A (Appointed 4 November 2013)
Acting Chief Financial Officer	Vorster A (1 February 2013 till 31 October 2013)
Registered office	Civic Centre Fichard Street Sasolburg 1947
Business address	Civic Centre Fichard Street Sasolburg 1947
Postal address	PO Box 60 Sasolburg 1947
Bankers	ABSA Bank LTD Standard Bank LTD
Auditors	Auditor-General of South Africa
Attorneys	Boitumelo Maubane Attorneys Kamati Incorporated Lebea and Associates Attorneys Majavu Incorporated Melato Attorneys Mollenaar and Griffiths Attorneys and Conveyancers Moroka Attorneys Ndobela Attorneys Nkaiseng Attorneys Ponane Attorney,Notaries and Conveyancers Raphela Incorporated Tefo Tladi Attorneys

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Abbreviations

COGTA	Department of Cooperative Governance Traditional Affairs
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
INCA	Infrastructure Finance Corporation Limited
LED	Local Economic Development
MFMA	Municipal Finance Management Act
MM	Municipal Manager
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
PPP	Public Private Partnership
SALGA	South African Local Government Association
SARS	South African Revenue Service
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's auditors.

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

The annual financial statements set out on pages 6 to 97, which have been prepared on the going concern basis, were approved by the accounting officer on 26 September 2014 and were signed on his behalf by:

Accounting Officer
SM Molala

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Inventories	3	16,066,814	20,968,773
Other financial assets	4	15,218,225	12,612,395
Receivables from non-exchange transactions	5	27,208,274	28,252,097
VAT receivable	6	-	5,369,016
Receivables from exchange transactions	7	96,250,962	82,941,553
Cash and cash equivalents	8	26,129,149	9,184,281
		180,873,424	159,328,115
Non-Current Assets			
Investment property	9	87,338,918	77,880,709
Property, plant and equipment	10	924,971,841	864,679,506
Intangible assets	11	479,616	188,809
Heritage assets	12	561,000	561,000
Other financial assets	4	3,859,041	1,675,943
		1,017,210,416	944,985,967
Total Assets		1,198,083,840	1,104,314,082
Liabilities			
Current Liabilities			
Finance lease obligation	13	-	12,516,576
Operating lease liability	14	871,174	483,626
Payables from exchange transactions	15	167,120,969	132,113,155
VAT payable	16	1,178,187	-
Consumer deposits	17	13,800,193	12,165,254
Unspent conditional grants and receipts	18	3,504,293	4,347,025
Short term portion - Long term loan	19	1,070,029	982,923
Short term loan	20	-	6,436,878
		187,544,845	169,045,437
Non-Current Liabilities			
Employee benefit obligation	21	42,419,302	45,513,512
Landfill closure provision	22	37,847,344	31,600,191
Long term loan	19	6,947,047	8,017,077
		87,213,693	85,130,780
Total Liabilities		274,758,538	254,176,217
Net Assets		923,325,302	850,137,865
Accumulated surplus		923,325,302	850,137,865

* See Note 55 & 43

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Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Service charges	23	410,553,032	366,858,325
Property rates	24	105,296,311	92,485,486
Government grants & subsidies	25	187,765,904	164,958,028
Interest received - trading	26	17,139,242	18,508,061
Interest received - investment	26	1,693,563	1,760,916
Non- payment fees		3,144,753	2,449,096
Licences and permits		145,594	125,370
Public contributions and donations	27	2,917,000	500,000
Fines		15,854,942	4,194,174
Levies - refuse dumpyard		402,792	2,856,646
Connection fees		2,777,410	1,436,761
Other income	28	2,857,123	2,350,530
Income legal costs		2,245,691	2,209,750
Rental of facilities		4,857,963	4,513,791
Total revenue		757,651,320	665,206,934
Expenditure			
Employee related cost	29	(188,369,519)	(171,924,171)
Remuneration of councillors	30	(13,152,392)	(12,101,917)
Depreciation and amortisation	31	(32,887,025)	(43,308,891)
Finance costs	32	(2,647,517)	(4,678,182)
Debt impairment	33	(91,918,391)	(62,594,108)
Repairs and maintenance		(15,181,949)	(23,616,424)
Bulk purchases	34	(255,572,719)	(235,117,892)
Contracted services	35	(23,971,695)	(20,021,661)
Grants and subsidies	36	(32,193,226)	(30,957,609)
Loss on disposal of assets		(1,636,248)	-
General expenses	37	(63,624,607)	(59,647,801)
Total expenditure		(721,155,288)	(663,968,656)
Operating surplus		36,496,032	1,238,278
Actuarial gain(loss)		5,140,770	(2,754,115)
Fair value adjustments		1,763,743	2,965,760
Sale of stands		(4,039,975)	276,077
Surplus/(loss) on inventory		(512,498)	93,897
Deficit on derecognition of liabilities		-	(3,221,146)
Fair value of shares		684,258	514,576
		3,036,298	(2,124,951)
Surplus (deficit) for the year		39,532,330	(886,673)

* See Note 55 & 43

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	844,015,327	844,015,327
Adjustments		
Prior year adjustments (Note 43)	7,009,211	7,009,211
Balance at 01 July 2012 as restated*	851,024,538	851,024,538
Changes in net assets		
Surplus for the year	(886,673)	(886,673)
Total changes	(886,673)	(886,673)
Restated* Balance at 01 July 2013	850,137,865	850,137,865
Changes in net assets		
Surplus for the year	39,532,330	39,532,330
Land and Building take on	33,655,107	33,655,107
Total changes	73,187,437	73,187,437
Balance at 30 June 2014	923,325,302	923,325,302

* See Note 55 & 43

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Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		419,535,991	390,710,030
Grants		188,399,440	162,526,217
Interest income		10,209,871	20,268,977
Other receipts		33,573,002	20,876,099
		<u>651,718,304</u>	<u>594,381,323</u>
Payments			
Employee costs		(197,175,447)	(164,848,544)
Suppliers		(348,197,074)	(359,838,376)
Finance costs		(2,647,518)	(4,678,183)
		<u>(548,020,039)</u>	<u>(529,365,103)</u>
Net cash flows from operating activities	38	<u>103,698,265</u>	<u>65,016,220</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(61,050,322)	(79,065,584)
Purchase of investment property	9	(9,484,000)	-
Purchase of intangible assets	11	(375,200)	-
Net movement in financial assets		(2,344,375)	3,250,523
Net cash flows from investing activities		<u>(73,253,897)</u>	<u>(75,815,061)</u>
Cash flows from financing activities			
Raising of/(Repayment) of other financial liabilities		(982,924)	9,000,000
Finance lease liabilities(repaid)/raised		(12,516,576)	3,307,234
Net cash flows from financing activities		<u>(13,499,500)</u>	<u>12,307,234</u>
Net increase/(decrease) in cash and cash equivalents		16,944,868	1,508,393
Cash and cash equivalents at the beginning of the year		9,184,281	7,675,888
Cash and cash equivalents at the end of the year	8	<u>26,129,149</u>	<u>9,184,281</u>

* See Note 55 & 43

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 49)
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	464,121,460	(19,000,000)	445,121,460	410,553,032	(34,568,428)	49.1
Rental of facilities	4,410,610	1,000,000	5,410,610	4,857,963	(552,647)	49.2
Interest received (trading)	17,475,000	200,000	17,675,000	17,139,242	(535,758)	49.3
Non payment fees	2,200,000	-	2,200,000	3,144,753	944,753	
Licences and permits	170,900	-	170,900	145,594	(25,306)	49.4
Fines	13,015,570	(5,900,000)	7,115,570	15,854,942	8,739,372	49.5
Levies dump yard	1,000,000	-	1,000,000	402,792	(597,208)	49.6
Connection fees	2,784,000	(1,005,000)	1,779,000	2,777,410	998,410	
Other income	4,266,360	142,900	4,409,260	2,857,123	(1,552,137)	
Income legal cost	2,750,000	750,000	3,500,000	2,245,691	(1,254,309)	
Interest received - investment	2,400,000	(700,000)	1,700,000	1,693,563	(6,437)	49.7
Total revenue from exchange transactions	514,593,900	(24,512,100)	490,081,800	461,672,105	(28,409,695)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	93,932,380	1,500,000	95,432,380	105,296,311	9,863,931	49.8
Government grants & subsidies	201,084,000	-	201,084,000	187,765,904	(13,318,096)	49.9
Transfer revenue						
Public contributions and donations	500,000	-	500,000	2,917,000	2,417,000	
Total revenue from non-exchange transactions	295,516,380	1,500,000	297,016,380	295,979,215	(1,037,165)	
Total revenue	810,110,280	(23,012,100)	787,098,180	757,651,320	(29,446,860)	
Expenditure						
Employee related cost	(192,146,050)	(383,500)	(192,529,550)	(188,369,519)	4,160,031	49.10
Remuneration of councillors	(13,174,340)	-	(13,174,340)	(13,152,392)	21,948	49.11
Depreciation and amortisation	(46,687,120)	-	(46,687,120)	(32,887,025)	13,800,095	49.12
Finance costs	(8,141,890)	1,900,000	(6,241,890)	(2,647,517)	3,594,373	49.13
Debt impairment	(48,000,000)	-	(48,000,000)	(91,918,391)	(43,918,391)	49.14
Repairs and maintenance	(53,977,740)	12,949,980	(41,027,760)	(15,181,949)	25,845,811	49.15
Bulk purchases	(297,729,750)	100,000	(297,629,750)	(255,572,719)	42,057,031	49.16
Contracted services	(19,300,010)	(910,000)	(20,210,010)	(23,971,695)	(3,761,685)	49.17
Grants and subsidies	(47,267,230)	-	(47,267,230)	(32,193,226)	15,074,004	49.18
General expenses	(88,684,840)	23,844,180	(64,840,660)	(63,624,605)	1,216,055	49.19
Total expenditure	(815,108,970)	37,500,660	(777,608,310)	(719,519,038)	58,089,272	
Operating surplus	(4,998,690)	14,488,560	9,489,870	38,132,282	28,642,412	
Loss on disposal of assets	-	-	-	(1,636,248)	(1,636,248)	
Actuarial Gain	-	-	-	5,140,770	5,140,770	
Fair value adjustments	-	-	-	1,763,743	1,763,743	
Sale of Stands	5,000,000	-	5,000,000	(4,039,975)	(9,039,975)	49.20
Loss on inventory	-	-	-	(512,498)	(512,498)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (note 49)
Figures in Rand						
Fair value of shares	-	-	-	684,258	684,258	
	5,000,000	-	5,000,000	1,400,050	(3,599,950)	
Surplus before taxation	1,310	14,488,560	14,489,870	39,532,332	25,042,462	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	1,310	14,488,560	14,489,870	39,532,332	25,042,462	

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Accounting Policies

1. Presentation of Annual Financial Statements

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All figures have been rounded to the nearest Rand.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Receivables

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

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

Impairment testing

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

Value-in-use of cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as inflation and interest.

Value-in-use of non-cash generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependant on the availability of data and the nature of the impairment.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 22 Provisions.

Useful lives of property, plant and equipment and other assets

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 21.

Effective interest rate

The municipality used the government bond rate to discount future cash flows.

Allowance for impairment

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

1.4 Investment property

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

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

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

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

Where investment property is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

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Accounting Policies

1.4 Investment property (continued)

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value, on a straight line basis over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	25 years

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

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

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

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment are initially recognised at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost), unless the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

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

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

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

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

Item	Average useful life
Buildings	50 years
Leasehold property	3 - 9 years
Plant and machinery	3 - 15 years
Furniture and fixtures	3 - 30 years
Motor vehicles	3 - 20 years
Office equipment	3 - 10 years
Infrastructure	5 - 50 years
Other property, plant and equipment	2 - 5 years

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

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

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

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

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

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

1.6 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which the municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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1.6 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

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

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

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1.7 Intangible assets (continued)

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

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

Item	Useful life
Computer software	5 years

Intangible assets are derecognised:

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

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

1.8 Heritage assets

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

Recognition

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

Where the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information on such a heritage asset is disclosed in note 12 Heritage assets.

Initial measurement

Heritage assets are initially recognised cost.

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

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Impairment

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

Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.9 Financial instruments

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

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Accounting Policies

1.9 Financial instruments (continued)

Classification

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

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

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

Class	Category
Long term loan	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Short term loan	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The municipality measures all other financial assets and financial liabilities initially at fair value.

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

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

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1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

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

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Accounting Policies

1.9 Financial instruments (continued)

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

Where financial assets are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

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

1.10 Leases

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

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

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Accounting Policies

1.10 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

Operating leases - lessee

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

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

Any contingent rents are recognised separately as an expense in the period in which they are incurred.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for a nominal cost, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

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1.12 Non-current assets held for sale and disposal groups

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

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

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

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

1.13 Impairment of cash-generating assets

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

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

Identification

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

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

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

Value in use

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

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

Discount rate

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

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1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

1.14 Impairment of non-cash-generating assets

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

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1.15 Employee benefits

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.15 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.15 Employee benefits (continued)

Other long-term employee benefits

The municipality has an obligation to provide long-term service allowance benefits to all of its employees. According to the rules of the long-term service allowance scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term service awards are recognised in the statement of financial performance.

The amount recognised as a liability for long-term service awards is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which is recognised immediately;
- past service cost, which is recognised immediately; and
- the effect of any curtailments or settlements.

Termination benefits

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

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

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

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

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

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.16 Provisions and contingencies (continued)

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

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

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

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

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

Provisions are not recognised for future operating expenditure.

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

A constructive obligation to restructure arises only when the municipality:

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

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

A contingent liability:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

Accounting Policies

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period;
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit;
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the municipality tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and accounts for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.17 Revenue from exchange transactions

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

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

Measurement

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

Sale of goods

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.17 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Interest

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

1.18 Revenue from non-exchange transactions

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

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

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

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

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes (Property rates for municipalities)

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

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

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

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by debtors.

Where the municipality collects fines in the capacity of an agent, the fines will not be revenue of the municipality.

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.19 Borrowing costs

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

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

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

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

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.13 and 1.14. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

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

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

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

1.20 Offsetting

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

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 44 for detail.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

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

1.25 Grants in aid

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

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

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

1.26 Value-Added Tax

The municipality applies the payment basis for VAT purposes as per Value-Added Tax Act. Output tax is payable as and when the purchase consideration is received and input will be claimed as and when payment is made.

1.27 Commitments

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

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

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

1.28 Budget information

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

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

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

1.29 Related parties

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

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Policies

1.30 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

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

1.31 Accumulated surplus

The municipality's surplus or deficit for the year is accounted in the accumulated surplus reserve in the statement of changes in net assets.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when the municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The standard states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;
 - all short-term employee benefits;
 - short-term compensated absences;
 - bonus, incentive and performance related payments;
- post-employment benefits: Defined contribution plans;
- other long-term employee benefits; and
- termination benefits.

The major difference between this standard (GRAP 25) and IAS 19(R) is with regards to the treatment of actuarial gains and losses and past service costs. This standard requires the municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

All amendments to be applied retrospectively.

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

The municipality has adopted the standard for the first time in the 2014 annual financial statements.

The impact of the standard is not material.

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets.

All amendments to be applied retrospectively.

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

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a standard of GRAP would otherwise require or permit to be measured at fair value is no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

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

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments to be applied retrospectively.

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

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments to be applied retrospectively.

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

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments to be applied retrospectively.

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

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

All amendments to be applied prospectively.

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

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to measurement at recognition, disposals and disclosure. Changes were made to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle has been clarified.

All amendments to be applied prospectively.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

GRAP 27 and GRAP 31 (as revised 2012)

These Standards of GRAP replace the previous Standard of GRAP on Agriculture (GRAP 101) and Standard of GRAP on Intangible Assets due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27) and Intangible Assets (IPSAS 31) respectively.

All amendments to be applied retrospectively.

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

The municipality has adopted the amendment for the first time in the 2014 annual financial statements.

The impact of the amendment is not material.

IGRAP 1 (as revised 2012): Applying the Probability Test on Initial Recognition of Revenue

This interpretation now addresses the manner in which the municipality applies the probability test on initial recognition of both:

- (a) exchange revenue (GRAP 9); and
- (b) non-exchange revenue (GRAP 23).

All amendments to be applied prospectively.

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

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

The impact of the interpretation is not material.

IGRAP 16: Intangible Assets - Website Costs

The interpretation deals with the treatment of the municipality's own website. It concludes that the municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, the municipality can satisfy the requirements in paragraph .54, which in particular requires the municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If the municipality is not able to demonstrate how a website developed solely and primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

Interpretation to be applied retrospectively.

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

The municipality has adopted the interpretation for the first time in the 2014 annual financial statements.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the interpretation is not material.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 18: Segment Reporting

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

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

The standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between the amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

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

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

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

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between the amount of consideration paid, if any, and the carrying amounts of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For a transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

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

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

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

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

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

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

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

GRAP 20: Related Parties

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

The municipality (in this standard referred to as the reporting entity) applies this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in bullet one and two is required; and
- determining the disclosures to be made about those items.

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

The standard elaborates on the definitions and identification of:

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

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

- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

The standard requires that remuneration of management must be disclosed per person and in aggregate.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

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

GRAP 32: Service Concession Arrangements: Grantor

The standard applies to a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator providing the mandated function on behalf of the grantor can either be a private party or another public sector entity. The standard applies to the grantor only.

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

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

GRAP 108: Statutory Receivables

GRAP 108 only deals with those receivables that arise from legislation or an equivalent means, such as regulations, by-laws or other documents issued in terms of legislation, such as ministerial orders and cabinet or municipal council decisions. Therefore in order to be statutory in nature specific legislation should require the municipality to undertake the transactions, such as outlining who should be taxed and at what rates and amounts.

Statutory receivables are not contractual receivables, the latter of which would normally meet the definition of a financial asset and will be within the scope of the Standard of GRAP on Financial Instruments. Statutory receivables are not voluntarily entered into as with contractual receivables because they arise as a result of specific legislative requirements.

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

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

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

The standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

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

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.

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

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

This interpretation concludes on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The interpretation has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the interpretation for the first time once it becomes effective.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

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

All amendments to be applied prospectively.

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

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

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

GRAP 100 (revised 2013): Discontinued Operations

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

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

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

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

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

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
3. Inventories		
Water	311,603	309,045
Unsold Properties Held for Resale	14,537,094	18,983,471
Fuel (Diesel, Petrol)	105,283	220,340
Stores and materials	1,112,834	1,455,917
	16,066,814	20,968,773
4. Other financial assets		
Designated at fair value		
Listed shares	2,847,231	2,162,973
Sanlam shares		
2014: 46,106 shares @ 61,75cents		
2013: 46,106 shares @ 46,91cents		
Unit trusts	1,150,361	1,035,675
Sanlam - SIM Money market fund		
2014: 1 150 361 shares @ 100cents (2013: 1,035,675.35 shares @ 100cents)		
	3,997,592	3,198,648
At amortised cost		
Investments - unspent grants	3,504,294	-
2014:		
Unspent grants		
- Department of Co-operative Governance R1 600 862		
- Seta R1 269 896		
- Extended Public Works Program R633 536		
Investments	5,427,116	6,921,046
Sanlam investment policies R5 396 955 (2013: R6 659 272)		
Term annuity - R0 (2013: R231,613)		
Ceded - R30 161 (2013: R30,161)		
The investment and annuity matured at the end of January 2014.		
Long term receivable - long term portion	3,859,040	1,675,943
Arrangements with each receivable on specific repayment terms. Fixed instalment payable on monthly basis.		
Long term receivable - short term portion	2,292,672	2,496,149
Arrangements with each receivable on specific repayment terms. Fixed instalment payable on monthly basis.		
Impairments	(3,448)	(3,448)
	15,079,674	11,089,690
Total other financial assets	19,077,266	14,288,338
Non-current assets		
At amortised cost	3,859,041	1,675,943
Current assets		
At fair value	3,997,592	3,198,648
At amortised cost	11,220,633	9,413,747
	15,218,225	12,612,395

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
Financial assets at fair value		
Fair value hierarchy of financial assets at fair value		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 1		
Sanlam shares	2,847,231	2,162,973
Sanlam Unit trusts	1,150,361	1,035,675
	3,997,592	3,198,648
5. Receivables from non-exchange transactions		
Trade receivables	27,491,285	19,298,977
Deposits	1,538,838	1,464,436
Operating lease receivables	3	4
Rates	71,754,807	61,405,305
Prepaid electricity payments	4,414,617	3,634,772
Allowance for debt impairment	(77,991,276)	(59,217,016)
Payables with debit balances	-	1,665,619
	27,208,274	28,252,097
Trade and other receivables pledged as security		
None of the trade and other receivables was pledged as security by the municipality during the financial year.		
Rates		
Current (0 - 30 days)	6,519,141	5,607,900
31 - 60 days	4,159,041	2,718,124
61 - 90 days	2,484,022	2,242,299
> 91 days	58,592,603	50,836,982
Allowance for impairment	(57,338,788)	(48,986,768)
	14,416,019	12,418,537
Summary of receivables by customer classification		
Household consumers		
Current (0 - 30 days)	3,620,287	3,504,106
31 - 60 days	2,609,648	2,058,663
61 - 90 days	1,413,602	1,806,898
> 91 days	49,541,432	45,629,743
	57,184,969	52,999,410
Industrial and commercial consumers		
Current (0 - 30 days)	2,350,932	1,765,437
31 - 60 days	1,001,560	546,520
61 - 90 days	525,419	400,186
> 91 days	6,719,357	4,271,970
	10,597,268	6,984,113

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
5. Receivables from non-exchange transactions (continued)		
National and provincial government		
Current (0 - 30 days)	547,922	338,357
31 - 60 days	547,833	112,941
61 - 90 days	545,001	35,215
>91 days	2,331,814	935,269
	3,972,570	1,421,782
Total		
Current (0 - 30 days)	6,519,141	5,607,900
31 - 60 days	4,159,041	2,718,124
61 - 90 days	2,484,022	2,242,299
>91 days	58,592,603	50,836,982
	71,754,807	61,405,305
Less: Allowance for impairment	(57,338,788)	(48,986,768)
	14,416,019	12,418,537

Credit quality of receivables from non-exchange transactions

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

None of the financial assets that are fully performing have been renegotiated in the last year.

Receivables from non-exchange transactions impaired

As of 30 June 2014, receivables from non-exchange transactions of R 75,661,376 (2013: R 59,217,016) were impaired and provided for.

The amount of the allowance was R 16,444,359 as of 30 June 2014 (2013: R 6,410,622).

The ageing of these receivables is as follows:

3 to 6 months	1,470,212	1,188,218
Over 6 months	74,191,164	58,028,798

Reconciliation of allowance for impairment of receivables from non-exchange transactions

Opening balance	(59,217,016)	(65,627,638)
Allowance for impairment on other receivables	(4,916,071)	(1,710,692)
Amounts written off as uncollectible	4,104,669	-
Allowance for impairment on traffic fines	(9,610,838)	-
Allowance for impairment on rates	(8,352,020)	8,121,314
	(77,991,276)	(59,217,016)

6. VAT receivable

VAT	-	5,369,016
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VAT is on a payment basis. Refer to note 1.26 Value Added Tax in the Accounting Policy.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
7. Receivables from exchange transactions		
Gross balances		
Electricity	68,616,072	52,353,114
Water	354,516,196	299,636,383
Sewerage	25,045,443	22,833,321
Refuse	29,981,731	28,381,605
	478,159,442	403,204,423
Less: Allowance for impairment		
Electricity	(54,826,760)	(41,766,272)
Water	(283,111,837)	(237,638,886)
Sewerage	(20,012,751)	(18,215,730)
Refuse	(23,957,132)	(22,641,982)
	(381,908,480)	(320,262,870)
Net balance		
Electricity	13,789,312	10,586,842
Water	71,404,359	61,997,497
Sewerage	5,032,692	4,617,591
Refuse	6,024,599	5,739,623
	96,250,962	82,941,553
Electricity		
Current (0 -30 days)	7,068,793	9,214,134
31 - 60 days	5,344,836	4,056,709
61 - 90 days	3,152,390	1,710,245
>91 days	53,050,053	37,372,026
Allowance for impairment	(54,826,760)	(41,766,272)
	13,789,312	10,586,842
Water		
Current (0 -30 days)	17,296,858	22,911,377
31 - 60 days	12,660,455	9,749,659
61 - 90 days	13,924,990	10,331,067
>91 days	310,633,893	256,644,280
Allowance for impairment	(283,111,837)	(237,638,886)
	71,404,359	61,997,497
Sewerage		
Current (0 -30 days)	1,254,631	1,404,222
31 - 60 days	1,013,178	1,120,821
61 - 90 days	566,739	425,469
>91 days	22,210,895	19,882,809
Allowance for impairment	(20,012,751)	(18,215,730)
	5,032,692	4,617,591
Refuse		
Current (0 -30 days)	1,537,197	1,519,183
31 - 60 days	1,111,563	826,323
61 - 90 days	694,449	494,763
>91 days	26,638,522	25,541,336
Allowance for impairment	(23,957,132)	(22,641,982)
	6,024,599	5,739,623

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
7. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Household consumers		
Current (0 -30 days)	13,855,489	21,264,937
31 - 60 days	13,470,184	11,432,748
61 - 90 days	13,884,281	10,108,815
>91 days	370,608,309	305,322,817
	411,818,263	348,129,317
Industrial and commercial consumers		
Current (0 -30 days)	12,846,746	11,567,079
31 - 60 days	6,420,205	3,580,779
61 - 90 days	3,794,609	2,622,003
>91 days	35,469,626	27,989,788
	58,531,186	45,759,649
National and provincial government		
Current (0 -30 days)	455,244	2,216,900
31 - 60 days	239,643	739,985
61 - 90 days	659,678	230,726
>91 days	6,455,428	6,127,846
	7,809,993	9,315,457
Total		
Current (0 -30 days)	27,157,479	35,048,916
31 - 60 days	20,130,032	15,753,512
61 - 90 days	18,338,568	12,961,544
>91 days	412,533,363	339,440,451
	478,159,442	403,204,423
Less: Allowance for impairment	(381,908,480)	(320,262,870)
	96,250,962	82,941,553
Less: Allowance for impairment		
31 - 60 days	(9,795,781)	(10,820,359)
61 - 90 days	(8,516,317)	(7,222,463)
91 - 120 days	(11,093,476)	(7,392,242)
>121 days	(352,502,906)	(294,827,806)
	(381,908,480)	(320,262,870)
Total debtor past due but not impaired		
Current (0 -30 days)	17,361,698	24,228,557
31 - 60 days	11,613,715	8,531,049
61 - 90 days	7,245,092	5,569,302
>91 days	60,030,457	44,612,645
	96,250,962	82,941,553
Reconciliation of allowance for impairment		
Balance at beginning of the year	(320,262,870)	(258,270,632)
Allowance for impairment	(69,039,462)	(61,992,238)
Debt impairment written off against allowance	7,393,852	-
	(381,908,480)	(320,262,870)

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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7. Receivables from exchange transactions (continued)

Credit quality of receivables from exchange transactions

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

None of the financial assets that are fully performing have been renegotiated in the last year.

Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2014, R 36,220,505 (2013: R 38,328,908) were past due but not impaired.

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

1 month past due	17,361,698	24,228,557
2 months past due	11,613,715	8,531,049
3 months past due	7,245,092	5,569,302

Receivables from exchange transactions impaired

As of 30 June 2014, receivables from exchange transactions of R381,908,480 (2013: R 320,262,870) were impaired and provided for.

The amount of the allowance was R69 039 462 as of 30 June 2014 (2013: R 61,992,238).

The ageing of these receivables is as follows:

3 to 6 months	29,405,574	25,435,064
Over 6 months	352,502,906	294,827,806

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,489	5,315
Bank balances	9,297,226	8,745,593
Short-term deposits	16,826,434	433,373
	26,129,149	9,184,281

Cash and cash equivalents pledged as guarantees

Guarantee: Eskom as electricity deposit	990,000	990,000
Guarantee: Post Office as postal deposit	80,000	80,000

Metsimaholo Local Municipality

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8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - bank account (primary bank account) - 520 000 038	3,627,013	7,485,200	4,035,798	3,627,013	8,745,593	5,486,059
Standard Bank -current bank account (primary bank account)- 240347862	4,870,247	-	-	4,999,131	-	-
Standard Bank Revenue account -33 197 836 9	679,695	-	-	671,082	-	-
ABSA Bank - call account - 907-840-0708	633,177	133,177	333,177	-	-	-
Rand Merchant Bank - call deposit account - X02-190-1012	427,726	77,726	1,077,726	-	-	-
Standard Bank - call deposit account - 343-846	13,373,806	173,806	3,373,806	-	-	-
Standard Bank - call deposit account - 228-505-348	393	394	-	-	-	-
Nedbank - call deposit - 788-103-3088	2,895,624	48,270	3,148,271	-	-	-
Standard Bank - money market - 477648	3,000,000	-	-	-	-	-
Short term deposits	-	-	-	16,826,434	433,373	2,184,514
Total	29,507,681	7,918,573	11,968,778	26,123,660	9,178,966	7,670,573

9. Investment property

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	87,800,762	(461,844)	87,338,918	78,316,762	(436,053)	77,880,709

Reconciliation of investment property - 2014

	Opening balance	Additions resulting from capitalised subsequent expenditure	Depreciation	Total
Land and buildings	77,880,709	9,484,000	(25,791)	87,338,918

Reconciliation of investment property - 2013

	Opening balance	Transfers to held for sale inventory items	Depreciation	Total
Land and buildings	79,259,500	(1,353,000)	(25,791)	77,880,709

Pledged as security

No investment property was pledged as security for liabilities.

Metsimaholo Local Municipality

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9. Investment property (continued)

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

10. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	222,311,016	(49,553,049)	172,757,967	195,280,137	(47,022,751)	148,257,386
Leasehold property	51,553,700	(35,877,447)	15,676,253	51,616,608	(43,343,904)	8,272,704
Plant and machinery	17,124,550	(10,693,631)	6,430,919	15,934,812	(9,343,797)	6,591,015
Furniture and fixtures	6,764,908	(4,840,481)	1,924,427	7,066,662	(4,068,598)	2,998,064
Motor vehicles	28,501,328	(17,482,147)	11,019,181	32,225,791	(16,180,711)	16,045,080
Office equipment	8,039,607	(6,294,906)	1,744,701	8,018,213	(5,070,978)	2,947,235
Infrastructure	1,650,762,495	(935,344,102)	715,418,393	1,584,842,616	(905,274,594)	679,568,022
Total	1,985,057,604	(1,060,085,763)	924,971,841	1,894,984,839	(1,030,305,333)	864,679,506

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	148,257,386	3,331,775	(342,902)	24,171,107	(2,659,399)	172,757,967
Leasehold property	8,272,704	-	(21,265)	-	7,424,814	15,676,253
Plant and machinery	6,591,015	1,240,369	(11,272)	-	(1,389,193)	6,430,919
Furniture and fixtures	2,998,064	-	(63,849)	-	(1,009,788)	1,924,427
Motor vehicles	16,045,080	-	(1,192,285)	-	(3,833,614)	11,019,181
Office equipment	2,947,235	42,297	(4,676)	-	(1,240,155)	1,744,701
Infrastructure	679,568,022	65,919,881	-	-	(30,069,510)	715,418,393
	864,679,506	70,534,322	(1,636,249)	24,171,107	(32,776,845)	924,971,841

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfer to held for sale inventory items	Transfers	Depreciation	Total
Buildings	151,967,813	-	(1,122,900)	-	(2,587,527)	148,257,386
Leasehold property	12,947,099	-	-	-	(4,674,395)	8,272,704
Plant and machinery	6,411,915	464,486	-	(7,726)	(277,660)	6,591,015
Furniture and fixtures	1,405,455	1,101,255	-	11,354	480,000	2,998,064
Motor vehicles	5,503,616	9,704,192	-	(2)	837,274	16,045,080
Office equipment	2,677,895	196,951	-	-	72,389	2,947,235
Infrastructure	649,160,734	67,598,700	-	(3,626)	(37,187,786)	679,568,022
	830,074,527	79,065,584	(1,122,900)	-	(43,337,705)	864,679,506

Pledged as security

Carrying value of assets pledged as security:

Computer equipment (included in Leasehold property) - 8,272,705

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 13.

Metsimaholo Local Municipality

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10. Property, plant and equipment (continued)

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

11. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	863,321	(383,705)	479,616	488,121	(299,312)	188,809

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	188,809	375,200	(84,393)	479,616

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	134,207	54,602	188,809

Pledged as security

No intangible assets was pledged as security for liabilities.

12. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	561,000	-	561,000	561,000	-	561,000

Reconciliation of heritage assets 2014

	Opening balance	Total
Historical buildings	561,000	561,000

Reconciliation of heritage assets 2013

	Opening balance	Total
Historical buildings	561,000	561,000

This is land used to manufacture bricks that were used for the Union Buildings in Pretoria (Tshwane).

Heritage assets which fair values cannot be reliably measured

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
13. Finance lease obligation		
Minimum lease payments due		
- within one year	-	13,200,680
	-	13,200,680
less: future finance charges	-	(684,104)
Present value of minimum lease payments	-	12,516,576
Present value of minimum lease payments due		
- within one year	-	12,516,576

It is Metsimaholo local municipality's policy to lease certain equipment under finance leases.

The average lease term was 2-5 years and the average effective borrowing rate was 10% (2013: 10%).

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The original contract would have ended on 30 January 2013 but because of payments in arrear the contract's repayments terms were renegotiated. The debt repayment was paid in 16 monthly installments of R1,254,065 that commenced in March 2013 and the last payment being made in June 2014.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

14. Operating lease

Government Garage

Opening balance	483,626	389,364
Movement for the year	387,548	94,262
	871,174	483,626

Minimum lease payments due

- within one year	3,174,355	3,491,346
- in second to fifth year inclusive	7,171,842	1,764,245
- later than five years	53,272	-
	10,399,469	5,255,591

Operating lease Government Garage

Operating lease payments represent rentals payable by the municipality for certain of its motor vehicles. Leases for motor vehicle are negotiated for an average of three years and rentals are fixed for the full term of the lease.

Operating lease - lessee (Abrahamsrust)

Operating lease payments represent rentals payable by the municipality for rental of property situated in Abrahamsrust.

The municipality has a 50 year lease option that expires on 31 March 2017.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
15. Payables from exchange transactions		
Trade payables	29,411,814	26,282,000
Payments received in advanced - contract in process	8,827,536	6,811,952
Retentions	12,257,482	10,978,130
Accrued leave pay	12,803,148	10,908,702
Accrued bonus	3,998,162	3,690,087
Accrued expense	10,286,289	29,758,948
Accruals at year end	38,541,948	13,461,620
Eskom payable	33,192,218	20,332,037
Rand Water payable	17,802,372	7,921,149
Receivables with credit balances	-	1,968,530
	167,120,969	132,113,155
16. VAT payable		
VAT payables	1,178,187	-
17. Consumer deposits		
Water and electricity	13,800,193	12,165,254
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Department of Co-operative Governance Grant	1,600,861	3,077,129
Sector Education Training Authority Grant	1,269,896	1,269,896
Extended Public Works Program	633,536	-
	3,504,293	4,347,025
Movement during the year		
Balance at the beginning of the year	4,347,025	8,040,403
Additions during the year	188,765,904	161,264,650
Income recognition during the year	(189,608,636)	(164,958,028)
	3,504,293	4,347,025
See note 25 for reconciliation of grants from National/Provincial Government.		
These amounts are ring-fenced in investments until utilised.		
19. Long term loan		
Development Bank of Southern Africa Limited - Non-current portion	6,947,047	8,017,077
Development Bank of Southern Africa Limited - Current portion	1,070,029	982,923
Terms and conditions		
The original loan amount consist of R19,000,000 but only R9,000,000 was disbursed as at 30 June 2014(R9 0000: 2013)		
The interest on the loan is fixed at 8.67% with capitalisation every 6 months but will be 10.67% on arrear amounts.		
The interest and capital repayment is made every 6 months in equal instalments of R871,356 over 7 years, in total 14 instalments.		
The loan is unsecured but the application of the loan is conditional to specific projects.		

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
20. Short term loan		
Infrastructure Finance Corporation Limited	-	6,436,878

Terms and conditions

The debt of R10,375,661 will be payable in 17 equal instalments of R610,333 on the 7th of each month with the last instalment payable on 7 May 2014 in full and final settlement of the capital amount and interest of INCA's claim against Metsimaholo Local Municipality. Interest was fixed at 8.5% per annum over the term of the loan.

Instalment not paid on due date shall attract penalty interest at the rate equal to the higher of 15% or prime plus 3% per annum.

The loan resulted from rental agreements with Konica Minolta that were financed by Infrastructure Finance Corporation Limited on behalf of the Metsimaholo Local Municipality when instalments on the rental agreements went into arrears.

21. Employee benefit obligations

Reconciliation of employee benefits obligation - 2014

	Opening Balance	Additions	Total
Employee benefit cost medical	30,414,015	(3,812,939)	26,601,076
Employee benefits long service awards	15,099,497	718,729	15,818,226
	45,513,512	(3,094,210)	42,419,302

Reconciliation of employee benefits obligation - 2013

	Opening Balance	Additions	Total
Employee benefit cost medical	28,488,169	1,925,846	30,414,015
Employee benefits long service awards	12,446,589	2,652,908	15,099,497
	40,934,758	4,578,754	45,513,512

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
21. Employee benefit obligations (continued)		
Employee benefit cost obligation		
Post Employment Health Care Benefits		
Balance at beginning of year	30,414,015	28,488,169
Current-service cost	738,272	736,193
Interest cost	2,441,059	2,060,243
Actuarial (gain) / loss	(5,479,850)	489,562
Employer benefit payments	(1,512,420)	(1,360,152)
	26,601,076	30,414,015

Continue Medical aid membership

Metsimaholo Municipality employees contribute to accredited medical schemes.

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

In-service members that were employed prior to 2001 are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

The Projected Unit Credit Method has been used to value the liabilities.

Accrued Liability

Category of member		
In-service members	11,809,516	12,697,000
Continuation members	14,791,560	17,717,000
All members		
Total liability	26,601,076	30,414,000
Value of asset	-	-
	26,601,076	30,414,000

Liabilities and experience adjustments made. The table summarises the accrued liabilities and the plan assets for the current period and the previous period.

History of liabilities and assets

Present value of accrued liability	26,601,076	30,414,000
Fair value of plan asset	-	-
	26,601,076	30,414,000

The experience adjustments for the current period is summarised below. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
21. Employee benefit obligations (continued)		
History of experience adjustments: Gains and losses		
Experience adjustment		
Liabilities: (gain) / loss	738,272	844,000
Assets: gain / (loss)	-	-
	738,272	844,000
Best estimate of benefits payments expected in next annual period (2014/2015)		
Opening accrued liability	26,601,076	30,414,015
Current service cost	695,186	738,272
Interest cost	2,244,920	2,441,059
Benefit vestings	(1,281,168)	(1,512,420)
Total annual expense	-	-
	28,260,014	32,080,926

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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21. Employee benefit obligations (continued)

Key financial assumptions

The table summarises the financial assumption used.

Discount rates	8.64 %	8.23 %
Health care cost inflation rate	8.01 %	7.62 %
Non effective discount rate	0.59 %	0.56 %

The next contribution rate increase is assumed to occur at 1 January 2015.

Average retirement age	65
Continuation of membership at retirement	70%
Proportion assumed married at retirement	70%
Mortality during employment	SA 85-90
Mortality post-retirement	PA 90-1 ultimate

Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Number of in service members	63
Number of pensioners	42

Summarised results of the sensitivity analysis.

Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central assumptions		11.810	14.403	26.212	
Health care inflation	1%	14.324	15.599	29.922	14
	-1%	9.811	13.333	23.144	(12)
Post-retirement mortality	-1 yr	12.257	15.106	27.363	4
Average retirement age	-1 yr	12.618	14.403	27.021	3
Withdrawal Rate	-50%	13.473	17.717	31.191	3

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 14% higher than that shown.

Long term service awards

Balance at beginning of year	15,099,497	12,446,589
Current-service cost	1,431,218	1,582,568
Interest cost	814,454	641,119
Actuarial (gain) / loss	339,080	2,264,553
Employer benefit payments	(1,866,023)	(1,835,332)
	15,818,226	15,099,497

Accrued liability

Value of long-service awards	15,495,668	14,790,656
Retirement gifts	322,558	308,841
	15,818,226	15,099,497

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
21. Employee benefit obligations (continued)		
Best estimate of benefits payments expected in next annual period (2014/2015)		
Opening accrued liability	15,818,226	15,099,497
Current service cost	1,250,438	1,431,218
Interest cost	1,155,040	814,454
Benefit vesting	(1,817,921)	(1,866,023)
Total annual expenses	-	339,080
	16,405,783	15,818,226

Long service awards

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

	Female	Male	Total
Number of eligible employees	190	398	588
Average annual salary	162 748	159 469	160 529
Salary-weighted average age	43.4	46.2	45.3
Salary-weighted average past service	12.5	14.0	13.5

Metsimaholo Local Municipality offers employees long service awards for every 5 years of services completed. There are two policies in place.

Completed service (in years)	Long service bonuses % annual salary	Description
5	4.0%	$(5/250 + 2\%) \times \text{annual salary}$
10	7.0%	$(10/250 + 3\%) \times \text{annual salary}$
15	10.0%	$(15/250 + 4\%) \times \text{annual salary}$
20	11.0%	$(15/250 + 5\%) \times \text{annual salary}$
25,30,35,40,45	12.0%	$(15/250 + 6\%) \times \text{annual salary}$

682 Employees benefit from this policy

Special leave pay

72 of the employees receive an additional six days of annual leave once they reach their five years of service.

Retirement gifts

218 employees are entitled to receive a retirement gift of 2% of annual salary at retirement. Employees must have at least 20 years of service to be eligible for the benefit.

The Projected Unit Credit Method has been used to value the liabilities.

Key Financial assumptions

The table summarised the financial assumptions used.

Discount rates	7.74 %	5.87 %
General salary inflation rate (long term)	6.96 %	5.59 %
Non effective discount rate	0.72 %	0.27 %

The salaries used in the valuation include an assumed increase on 1 July 2013 of 6.84%.

The next salary increase was assumed to take place in July 2014.

Average retirement age	65		
Mortality during employment	SA 85-90		
Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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21. Employee benefit obligations (continued)

Sensitivity analysis on the accrued liability (R Millions)

Assumption	Change	Liability	% change
Central assumptions		15.818	
General salary inflation	+1%	16.857	7%
	-1%	14.880	-6%
Average retirement age	-2 yrs	14.443	-9%
	+2 yrs	17.275	9%
Withdrawal rates	-50%	17.996	14%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than that shown.

22. Landfill closure provision

Reconciliation of landfill closure provision - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	31,600,191	6,247,153	37,847,344

Reconciliation of landfill closure provision - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	29,811,501	1,788,690	31,600,191

Provision for landfill closure

The municipality engages in waste disposal operations from residential and business areas within the following areas:

- Deneyville
- Oranjeville
- Sasolburg

In terms of licensing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs to restore the site at the end of its useful life. The landfill sites are not licensed and the municipality could incur penalties for not being licensed.

23. Service charges

Sale of electricity	179,302,902	164,079,433
Sale of water	179,906,875	155,262,890
Sewerage and sanitation charges	21,736,775	19,989,890
Refuse removal	29,606,480	27,526,112
	410,553,032	366,858,325
Forgone income (free portion)		
Water	(24,352,435)	(22,553,218)
Electricity	(14,145,793)	(13,114,218)
Sewerage and sanitation	(2,498,267)	(2,004,815)
	(40,996,495)	(37,672,251)

Metsimaholo Local Municipality

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24. Property rates		
Rates received		
Residential	67,411,035	60,367,359
Commercial	8,514,740	7,703,660
State	8,769,819	6,338,698
Small holdings and farms	8,115,082	7,295,105
Heavy industries	22,563,063	19,228,463
Less: Income forgone	(10,077,428)	(8,447,799)
	105,296,311	92,485,486

Sasolburg / Zamdela

Residential:		
- Sasolburg	0.00655	cents per Rand
- Zamdela	0.00655	cents per Rand
Businesses	0.01310	cents per Rand
Light Industries	0.03278	cents per Rand
Heavy Industries	0.03278	cents per Rand
State Property	0.01310	cents per Rand

Deneysville/Refenggotso/Phomolong

Residential:		
Deneysville	0.00655	cents per Rand
Businesses	0.01310	cents per Rand
State Property	0.01310	cents per Rand
Refenggotso	0.00655	cents per Rand

Oranjeville / Metsimaholo

Residential:		
- Oranjeville	0.00655	cents per Rand
Businesses	0.01310	cents per Rand

Metsimaholo:		
Residential	0.00655	cents per Rand
Businesses	0.01310	cents per Rand
State Property	0.01310	cents per Rand

Farmland		
Residential	0.00327	cents per Rand
Businesses	0.00655	cents per Rand
Industries	0.01640	cents per Rand
Private owned towns, Body Corporate, Sectional Titles	0.00327	cents per Rand
Mining	0.01640	cents per Rand
Agricultural	0.00164	cents per Rand

Unregistered Erven, Municipal services charges based on the category of property.

Valuations (R'000)

Residential	8,091,908	8,967,326
Commercial	909,887	599,277
State	672,632	488,720
Municipal	467,718	388,034
Small holdings and farms	2,910,449	867,113
Heavy/Light industries	880,082	804,759
Churches	109,410	95,310
Public Benefit Organisation/Service Infrastructure	52,173	59,253
Allocated, unregistered stands	28,327	1,763,245

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
24. Property rates (continued)		
5 year: Tax Holiday	77,806	37,556
	14,200,392	14,070,593

Valuations on which property rates are based are performed every four years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.

Rebates for 2014 up to R50 000(2013:R85 000) on value of property are granted to residential and state property owners. Rates are levied on a monthly basis, except farmland that is levied on an annual basis.

Interest at prime plus 1% is levied on rates outstanding after due date for payment.

The following properties are exempted from property rates:

- Properties owned by a religious body or organisation and residential property occupied by a minister of religion in full time of service of such a church.
- Road reserves
- Railway reserves

The latest general valuation was implemented on 1 July 2013.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies		
Operating grants		
Equitable share	101,698,000	93,903,138
Municipal Systems Improvement Grant	890,000	800,000
Financial Management Grant	1,550,000	1,500,000
Expanded Public Works Programme Integrated Grant	366,464	1,395,000
Sector Education Training Authority Grant	137,172	223,579
	<u>104,641,636</u>	<u>97,821,717</u>
Capital grants		
Municipal Infrastructure Grant	44,436,000	49,670,204
Department of Water Affairs Grant	2,712,000	3,497,000
Department of Energy Grant	34,500,000	10,575,316
Department of Co operative Governance Grant	1,476,268	2,353,871
Fezile Dabi District Municipality	-	1,039,920
	<u>83,124,268</u>	<u>67,136,311</u>
	<u>187,765,904</u>	<u>164,958,028</u>

Conditional and unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	86,067,904	71,054,890
Unconditional grants received	101,698,000	93,903,138
	<u>187,765,904</u>	<u>164,958,028</u>

Equitable share

Equitable share was received in terms of section 214(1) of the Constitution (Act No. 108 of 1996). An amount of R 298 000 were withheld because of Municipal Infrastructure Grant not utilising all there funds in prior years.

A Council Resolution was taken to use some of the grant for free basic services to residents.

Equitable share is also used to allocate 6kl water, 50kWh electricity and basic sewer per month to household plus approved indigent households are allocated 4kl water, additional sewer, refuse and R60 per month on Rates.

Municipal System Improvement Grant

Current-year receipts	890,000	800,000
Conditions met - transferred to revenue	(890,000)	(800,000)
	<u>-</u>	<u>-</u>

To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.

Financial Management Grant

Current-year receipts	1,550,000	1,500,000
Conditions met - transferred to revenue	(1,550,000)	(1,500,000)
	<u>-</u>	<u>-</u>

The Municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies (continued)		
Expanded Public Works Programme Integrated Grant		
Current-year receipts	1,000,000	1,395,000
Conditions met - transferred to revenue	(366,464)	(1,395,000)
	633,536	-
Appointment of workers on the Extended Public Works Program.		
Municipal Infrastructure Grant		
Balance unspent at beginning of year	-	317,857
Current-year receipts	44,734,000	47,118,000
Conditions met - transferred to revenue	(44,436,000)	(49,670,204)
Other	(298,000)	2,234,347
	-	-
Funds received for installation of infrastructure.		
Department of Water Affairs Grant		
Current-year receipts	2,712,000	3,497,000
Conditions met - transferred to revenue	(2,712,000)	(3,497,000)
	-	-
The Municipality received funds from the Department of Water Affairs for water purification.		
Department of Energy Grant		
Balance unspent at beginning of year	-	636,591
Current-year receipts	34,500,000	10,000,000
Conditions met - transferred to revenue	(34,500,000)	(10,575,316)
Other	-	(61,275)
	-	-
Installation of electricity in the Municipality's area, financed by the Department of Energy. Funds of R 3,811,138 was withheld from Equitable Share allocation due to slow spending on projects financed from Department of Energy.		
Department of Co oprative Governance Grant		
Balance unspent at beginning of year	3,077,129	5,431,000
Conditions met - transferred to revenue	(1,476,268)	(2,353,871)
	1,600,861	3,077,129
Funds received for installation of infrastructure. The tender was late awarded and the project is still in progress.		

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
25. Government grants and subsidies (continued)		
Fezile Dabi District Municipality Grant		
Balance unspent at beginning of year	-	66,695
Current-year receipts	-	1,039,920
Conditions met - transferred to revenue	-	(1,039,920)
Other	-	(66,695)
	<u>-</u>	<u>-</u>

Contributions received from Fezile Dabi Districts Municipality for Stormwater project and on the Integrated Development Plant in the prior year.

Sector Education Training Authority Grant

Balance unspent at beginning of year	1,269,896	826,693
Current-year receipts	-	666,781
Conditions met - transferred to revenue	-	(223,578)
	<u>1,269,896</u>	<u>1,269,896</u>

The Municipality received funds from Sector Education Training Authority for excellence performance by human resources division. The funds must be utilised towards training and the appointment in appointing service providers to provide training were slow.

Provincial Government

Balance unspent at beginning of year	694,895	694,895
Written off	(694,895)	-
	<u>-</u>	<u>694,895</u>

Funds for waterworks at laboratory. Funds for development programs. Funds received from Housing award to purchase computers.

Sector Education Training Authority Grant

Current-year receipts	137,172	-
Conditions met - transferred to revenue	(137,172)	-
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 18).

The Municipality received funds from Sector Education Training Authority for excellence performance by human resources division, these funds are utilised towards training.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 53 of 2000), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
26. Revenue		
Fines	15,854,942	4,194,174
Government grants & subsidies	187,765,904	164,958,028
Interest received - consumers	17,139,242	18,508,061
Interest received - investment	1,693,563	1,760,916
Licences and permits	145,594	125,370
Other income	2,857,123	2,350,530
Levies - refuse dumpyard	402,792	2,856,646
Connection fees	2,777,410	1,436,761
Income legal cost	2,245,691	2,209,750
Non-payment fees	3,144,753	2,449,096
Property rates	105,296,311	92,485,486
Public contributions and donations	2,917,000	500,000
Rental of facilities	4,857,963	4,513,791
Service charges	410,553,032	366,858,325
	757,651,320	665,206,934
The amount included in revenue arising from exchanges of goods or services are as follows:		
Interest received - consumers	17,139,242	18,508,061
Interest received - investment	1,693,563	1,760,916
Licences and permits	145,594	125,370
Other income	2,857,123	2,350,530
Levies - refuse dumpyard	402,792	2,856,646
Connection fees	2,777,410	1,436,761
Income legal cost	2,245,691	2,209,750
Non-payment fees	3,144,753	2,449,096
Rental of facilities	4,857,963	4,513,791
Service charges	410,553,032	366,858,325
	445,817,163	403,069,246
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	105,296,311	92,485,486
Fines	15,854,942	4,197,174
Transfer revenue		
Government grants & subsidies	187,765,904	164,958,028
Public contributions and donations	2,917,000	500,000
	311,834,157	262,140,688
27. Public contributions and donations		
Public contributions and donations - Library	667,000	500,000
Public contributions and donations - Copper Sunset (Pty) Ltd	2,250,000	-
	2,917,000	500,000
Reconciliation of conditional contributions		
Current-year receipts	667,000	500,000
Conditions met - transferred to revenue	(667,000)	(500,000)
	-	-

Conditions still to be met - remain liabilities (see note 18)

The funds transferred to current year were received from the Provincial Department of Sport, Arts and Culture for the payment of salaries for library staff and the creche was donated by Copper Sunset (Pty) Ltd.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
28. Other income		
Billboards	216,328	251,729
Building plan fees	279,732	29,795
Cemetery fees	134,351	164,395
Clearance certificates	216,820	223,240
Entrance fees	817,854	810,366
Fire services rendered	224,856	146,412
Insurance claim received	-	5,307
Lost library books	1,650	4,133
Sundry revenue	447,725	225,602
Photo copies	141,706	134,556
Private telephone calls	193,851	281,977
Tender deposits	182,250	73,018
	2,857,123	2,350,530

Metsimaholo Local Municipality

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Figures in Rand	2014	2013
29. Employee related costs		
Basic	105,782,672	102,545,771
Medical aid - company contributions	10,963,771	8,862,265
UIF contributions	1,024,955	942,053
Leave pay provision	2,202,520	1,640,355
Leave pay accrual charge	484,891	798,644
Group insurance	235,457	225,442
Defined contribution plans	17,661,795	15,967,045
Overtime payments	16,393,278	17,371,307
Long-service awards (note 14)	379,649	388,355
13th Cheques and other bonuses	8,274,083	7,479,614
Transport allowance	12,395,907	5,946,528
Housing benefits and allowances	630,314	738,900
Standby allowances	2,101,436	1,871,955
Contribution post retirement	1,666,911	1,436,284
	180,197,639	166,214,518

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

Remuneration of S.M. Molala - Municipal Manager (01/11/2012-30/06/2014)

Annual remuneration	1,365,062	852,329
Car allowance	240,000	160,000
Travel, motor car, accommodation, subsistence and other allowances	36,622	1,598
Other (leave sold)	-	15,000

Remuneration of R.Thekiso - Acting Municipal Manager (28/05/2012-28/08/2012)

Acting allowance	-	232,515
Telephone allowance	-	8,664

Remuneration of MJ Maseola - Acting Municipal Manager (01/05/2014-31/05/2014)

Acting allowance	17,389	
	1,659,073	1,270,106

Remuneration of M.E. Mokoena - Chief Finance Officer (01/06/2008-31/01/2013)

Annual remuneration	-	402,641
Car allowance	-	141,401
Housing subsidy	-	6,067
Transport claim	-	3,090
Redemption of leave	-	124,628
Telephone allowance	-	30,964

Remuneration of A. Vorster - Acting Chief Finance Officer (01/02/2013-30/06/2013)

Annual remuneration	208,802	237,312
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Remuneration of A Lambat (04/11/2013 - 30/06/2014)

Annual remuneration	974,110	-
Car allowance	16,000	-
Transport claim	7,056	-
Other	20,000	-
	1,225,968	946,103

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
29. Employee related costs (continued)		
Remuneration of R. Thekiso - Director Technical Services and Infrastructure (01/09/2009-30/06/2013)		
Annual Remuneration	694,134	487,812
Car Allowance	239,063	185,938
Housing subsidy	90,000	70,000
Transport claims	3,402	3,436
Other	5,137	29,863
redemption of leave	58,447	-
Remuneration of M.D. Ndaba - Acting Director Technical Services and Infrastructure (01/03/2014-30/06/2014)		
Annual remuneration	107,925	-
	1,198,108	777,049
Remuneration of S.S. Mtakati - Director Organisational Development and Corporate Services (09/06/2008-28/09/2012)		
Annual Remuneration	-	167,249
Car Allowance	-	60,600
Housing subsidy	-	9,193
Redemption of leave	-	136,261
Remuneration of M.J.M. Maseola - Director Organisational Development and Corporate Services (01/02/2013-30/06/2013)		
Annual remuneration	1,164,132	500,000
Car allowance	120,000	50,000
Housing subsidy	120,000	50,000
Other	30,000	12,500
	1,434,132	985,803
Remuneration of M.P. Penkin - Acting Director Social Services (01/06/2012-30/06/2013)		
Annual Remuneration	-	101,888
Remuneration of L.P. Thile - Acting Director Social Services (01/07/2012-30/09/2012)		
Acting allowance	-	137,145
Remuneration of S.L. Lempe - Director Social Services (01/02/2013-30/06/2013)		
Annual remuneration	974,132	458,704
Car allowance	190,000	89,640
Housing subsidy	120,000	50,000
Transport claims	4,347	3,649
Telephone allowances	-	1,656
Other	30,000	12,500
	1,318,479	855,182

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
29. Employee related costs (continued)		
Remuneration of G.P. Steenkamp - Acting Director Economic Development		
Annual Remuneration	18,840	259,395
Mr Steenkamp was appointed as acting director economic development for the period 01/06/2012 to 31/08/2012 and the period 01/04/2014 to 30/04/2014		
Remuneration of S.J. Monyaki - Director Economic Development (01/02/2013-30/06/2013)		
Annual remuneration	914,132	445,833
Car allowance	270,000	112,500
Housing subsidy	100,000	41,667
Transport claims	3,148	3,515
Other	30,000	12,500
	1,336,120	875,410
Total Employee related costs	188,369,519	171,924,171

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
30. Remuneration of Councillors		
Executive Mayor	724,669	710,115
Council Whip	548,719	617,593
Mayoral Committee Members	4,093,657	3,073,980
Speaker	583,907	480,141
Councillors	7,201,440	7,220,088
	13,152,392	12,101,917

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

Remuneration per councillor

Executive Mayor		-
Maklaku BT	724,669	710,115
Council Whip	-	-
Soetsang TL	548,719	522,587
Mayoral Committee Members	-	-
Khonto MW	548,719	511,121
Kubheka NJ	548,719	522,587
Lempe LS (untill December 2012)	-	304,842
Radebe AN	548,719	522,587
Semonyo LS	548,719	522,587
Tshongwe SL	548,719	522,587
Mabasa KT	548,744	-
Mabefu RJ (From 10 October 2013)	400,652	-
Makhoba (From 10 October 2013)	400,652	-
Speaker	-	-
Matena SZ	583,908	556,101
Councillors	-	-
Chebase LR	232,008	213,483
Coetzer FC	232,008	213,482
Du Plessis J	232,008	213,482
Du Toit T	232,008	213,483
Geyser JJ	232,008	213,482
Grobbelaar JJ	232,008	213,483
Holt S	232,008	213,482
Khunou SB	232,008	213,482
Lelahla JM	232,008	221,654
Mabasa KT	-	498,417
Mofokeng TJ	232,008	213,482
Mokoena DE	232,008	213,482
Moreki S	232,008	328,202
Motloung DN (Untill 23 October 2013)	73,653	213,482
Moolman HJ	232,008	213,482
Mosia TE	232,008	213,482
Mare AK	232,008	213,483
Mahlangu PJ	232,008	213,483
Mdola NL	232,008	213,482
Machafa MF	232,008	213,483
Maseko VJ	232,008	213,482
Mosia MM	232,008	213,482
Msimanga MJ (Untill 02 September 2013)	39,588	213,482
Mofokeng SS	232,008	213,482
Mtshalo NM	232,008	38,059
Nthebe MD	232,008	213,482
Ntoane MG	232,008	213,483
Oswald DM	232,008	213,482
Poho MS	232,008	213,482

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
30. Remuneration of Councillors (continued)		
Ramathesele SI (Untill 01 September 2013)	38,668	213,482
Sejaki MN	232,008	213,483
Tamane MA	232,008	213,483
Van der Walt MC	232,008	213,482
Viljoen JD	232,008	213,483
Other	-	(83,999)
Mnune MS (From 12 February 2014)	89,304	-
	13,152,392	12,101,917
31. Depreciation and amortisation		
Property, plant and equipment	32,776,841	43,337,702
Investment property	25,791	25,791
Intangible assets	84,393	(54,602)
	32,887,025	43,308,891
32. Finance costs		
Finance leases	960,889	4,232,962
Current borrowings	759,789	160,336
Other interest paid	926,839	284,884
	2,647,517	4,678,182
33. Debt impairment		
Contributions to allowance for impairment	91,918,391	62,594,108
Trade and other receivables from exchange transactions	69,039,462	61,992,238
Other Financial Assets	3,448	3,448
Other receivables from non-exchange transactions	22,875,481	598,422
	91,918,391	62,594,108
34. Bulk purchases		
Electricity	155,374,885	144,367,038
Water	100,197,834	90,750,854
	255,572,719	235,117,892

Distribution losses

2014	Purchase	Sold	Difference	% (Loss) / Gain
Electricity (kWh)	219,332,234	194,324,004	(25,008,230)	(11,40)%
Water (kL)	19,932,397	18,897,478	(1,034,919)	(5,19)%
2013	Purchase	Sold	Difference	% (Loss) / Gain
Electricity (kWh)	218,908,782	207,595,160	(11,313,622)	(5,17)%
Water (kL)	18,533,824	17,218,638	(1,315,186)	(7,10)%

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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34. Bulk purchases (continued)

Unaccounted consumption can be a result of:

- Billing problems with consumption;
- Distribution loss;
- Internal use that is not metered and not read;
- Illegal connections and theft; and
- Units sold are based on meters read, interim levies plus prepaid units sold.

35. Contracted services

Specialist services	12,199,764	9,820,545
Other contractors	11,771,931	10,201,116
	23,971,695	20,021,661

Specialist services

Security services	12,199,764	9,820,545
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Other contractors

Cash security	69,826	284,273
Cleaning services	1,724,552	1,738,229
Electricity pre paid service	5,632,793	4,924,394
Disconnection and re-connection of services	103,989	117,567
Printing services	2,065,596	1,326,704
Delivery of summonses/traffic fines	1,479,647	1,847,977
Easy pay commission	695,528	-
	11,771,931	10,239,144

36. Grants and subsidies paid

Other subsidies

Equitable Share	32,193,226	30,939,115
Grant In Aid	-	18,494
	32,193,226	30,957,609

Donations were given to students. Equipment was purchased and donated to schools.

Equitable share is used to subsidise registered indigents.

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
37. General expenses		
Advertising	847,620	1,177,230
Auditors remuneration	4,365,616	3,723,877
Bank charges	451,589	1,378,426
Computer expenses	1,170,450	368,715
Consulting and professional fees	8,085,353	3,919,703
Connection charges	495,919	413,601
Entertainment	216,442	418,494
Insurance	741,139	1,707,636
Conferences and seminars	890,677	1,033,154
Lease rentals on operating lease	4,830,721	5,647,564
Marketing	87,719	57,861
Magazines, books and periodicals	18,211	318,133
Medical expenses	24,255	218,325
Fuel and oil	7,497,776	6,862,232
Postage and courier	1,388,510	1,432,517
Printing and stationery	848,823	1,536,806
Promotions	88,031	7,248
Royalties and license fees	203,143	196,451
Subscriptions and membership fees	1,838,456	1,588,779
Telephone	1,516,090	2,243,416
Training	126,691	210,610
Travel - local	739,348	683,806
Title deed search fees	432,556	2,275,675
Stock and materials	814,612	1,009,208
Electricity	4,961	5,451
Uniforms	870,354	978,050
Public Programme	1,305,506	2,123,863
Departmental charges recovered	-	10,600
Skills Development Levy	1,562,250	1,371,717
Sewer Treatment	13,516,972	12,560,059
Bursaries	1,133,105	1,676,119
Provision for rehabilitation of landfill site	6,247,153	1,788,690
Other expenses	1,264,559	703,785
	63,624,607	59,647,801

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
38. Cash generated from operations		
Surplus (deficit)	39,532,332	(886,673)
Adjustments for:		
Depreciation and amortisation	32,887,025	43,308,891
Gain on sale of inventory	4,552,473	(369,974)
Loss on sale of property, plant and equipment	1,636,248	-
Fair value adjustments	(7,588,771)	(726,221)
Debt impairment	91,918,391	62,594,108
Movements in operating lease assets and accruals	387,548	94,262
Movements in landfill closure provision	6,247,158	1,788,693
Retirement benefits	2,046,560	1,824,639
Current leave and bonus accrual	2,202,521	1,640,354
Deficit on derecognition of financial liability	-	3,221,146
Changes in working capital:		
Inventories	349,486	(102,419)
Receivables from non-exchange transactions	(21,831,658)	147,002
Receivables from exchange transactions	(82,348,871)	(68,191,232)
Payables from exchange transactions	32,805,293	13,386,047
VAT	6,547,200	2,259,813
Unspent conditional grants and receipts	(842,732)	(2,931,811)
Consumer deposits	1,634,939	1,522,717
Short term portion - Other financial liabilities	(6,436,877)	6,436,878
	103,698,265	65,016,220

39. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	27,208,274	27,208,274
Receivables from exchange transactions	-	96,250,962	96,250,962
Cash and cash equivalents	-	26,129,149	26,129,149
Other financial assets - Listed shares	2,847,231	-	2,847,231
Other financial assets - Unit trusts	1,150,361	-	1,150,361
Other financial assets - Investments	-	5,427,116	5,427,116
Other financial assets - Long term receivables	-	2,292,672	2,292,672
	3,997,592	157,308,173	161,305,765

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	167,120,969	167,120,969
Long term loan	6,947,047	6,947,047
Short term loan	1,070,029	1,070,029
	175,138,045	175,138,045

2013

Financial assets

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2014	2013
Grants and subsidies paid (continued)			
	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	28,252,097	28,252,097
Receivables from exchange transactions	-	82,941,553	82,941,553
Cash and cash equivalents	-	9,184,281	9,184,281
Other financial assets - Listed shares	2,162,973	-	2,162,973
Other financial assets - Unit trusts	1,035,675	-	1,035,675
Other financial assets - Investments	-	6,921,046	6,921,046
Other financial assets - Long term receivables	-	4,168,644	4,168,644
	3,198,648	131,467,621	134,666,269

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	132,113,154	132,113,154
Finance lease obligation	12,516,576	12,516,576
Long term loan	8,017,077	8,017,077
Short term loan	7,419,801	7,419,801
	160,066,608	160,066,608

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	-	-
• Infrastructure	94,121,044	45,267,479
• Other expenditure	10,137,248	4,468,729
	104,258,292	49,736,208

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, accumulated surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	3,174,355	3,491,346
- in second to fifth year inclusive	7,171,842	1,764,245
- later than five years	53,272	-
	10,399,469	5,255,591

Operating lease payments represent rentals payable by the municipality for certain of its motor vehicles (government garage). Leases for motor vehicle are negotiated for an average of seven years and rentals fixed for the full term of the lease.

Operating leases - lessee (Abrahamsrust)

Minimum lease payments due

- within one year	1	1
- in second to fifth year inclusive	2	3
- later than five years	-	-
	3	4

Operating lease payments represent rentals payable by the entity for rental of property situated in Abrahamsrust. The municipality has a 50 year lease option that expires on 31 March 2017.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
41. Contingencies		
Contingent liabilities		
Housing loans		
Guarantees for housing loans to employees at financial institutions	30,161	30,161
Leabea and Associates (Employee related matters)		
Coertzen	-	180,000
Kriel	180,000	180,000
Klaumanns & Roux	200,000	-
Samwu	180,000	-
SAMWU Mjikane	180,000	-
Hermopect	160,000	-
J F Motloun	160,000	-
Molenaar & Griffiths		
GLM Denny & R G Ross//Metsimaholo Matter 1357	-	-
Edem & Associates//Metsimaholo 1387	-	50,000
Cases on selling of vacant stands		
Moroka Attorneys		
African Oxygen Limited T/A Afrox	-	-
Ukwazi Force CC	400,000	400,000
T, Mosuane/Metsimaholo Municipality	-	240,000
GM Marx/Metsimaholo Municipality	71,638	71,638
DE Malepe/Metsimaholo Municipality	4,269	2,165
EC Stegman/Metsimaholo Municipality	4,269	4,269
NJ Joubert/Metsimaholo Municipality	1,637	1,637
Gomac Production/Metsimaholo Municipality	-	3,150
AD Sehole/Metsimaholo Municipality	-	80,293
Capital Allowance/Metsimaholo Municipality	2,500,000	2,500,000
T Semeya/Metsimaholo Municipality	7,201	-
L van Tonder/Metsimaholo Municipality	37,732	-
Nkaiseng Attorneys		
Niel de Klerk	-	71,500
L M Segoati	-	-
Civil suit against the municipality by a previous employee. Court ruled in favour of plaintiff. Determination of quantam is still pending		
J P Smit	24,300	-
Meyers Beukes	40,028	-
Majavu Incorporated		
Alse Investment (Pty) Ltd	5,000,000	500,000
Siza Mekaar Construction cc	-	1,500,000
Raphaela Incorporated		
SAMWU/Metsimaholo Local Municipality	750,000	600,000
Melato Attroneys		
State/FJ Motloun	40,000	-

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
41. (continued)		
Ponoane Attorneys		
SAMWU/Metsimaholo Municipality(SS Sediane)	216,332	-
FJ Motloung/Metsimaholo Municipality	30,060	-
Tefo Tladi Attorneys		
Spoliation Order	13,265	-
Unlicensed landfill site		
The municipality managed three landfill sites without the required licenses in contravention of the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008). In terms of section 68(1) of the National Environmental Management: Waste Act, 2008 a fine of R10 million or imprisonment for a period not exceeding 10 years for any person convicted of the offence could be imposed. Furthermore, the municipality may be subject to legal action by other institutions or members of the public since unauthorised landfill sites are operated that could have an environmental, health or safety risk to the community		
42. Related parties		
Relationships		
Councillor's interest		
- Phepheng Lelahla JM	Grey Construction (Civil & Mechanical)	
- Motloung DN	Molusi CC (Sole owner)	
- Mabasa KT	Batjha ba kopane (General)	
- Mokoena DE	Mahlohlojane (Contractor)	
- Maseko VJ	Belperiza Project Mangement (Service provider)	
	Living Fountains (Church)	
- Grobbelaar JJ	In his footprints (Non-profitable christian)	
- Matsha MC	KKMT (Pty) Ltd - Shareholder	
- Tshongwe SL	Asonge/MTN Shares	
- Mahlaku BT	MTN,Sasol Inzalo	
- Makhoba KJ	Sasol Inzalo	
	Uhuru Property	
	Madise Karola	
	Khalin o	
	Paballo Ya Bomme	
	Alaska One (PTY)(LTD)	
	Ateara Business Trading	
	Auburn Trading (dormant)	
	Asazi funeral parlour	
	Asazi Inn	
	Soxi Electronics	
	In His Footprints	
	SENTECH SOCLTED (COMMUNICATIONS	
	Afriscapes cc (Capacity building)	
	Thete Consulting Engineers and Project	
	(Director/Member)	
	Teane & Thekiso Consulting Engineering (Member)	
	KHUMASE cc (Construction and Transport)	
	Raleoa Trading (tourisme retail)	
	Bold Moves 198 (Properties, tourism, retail)	
	Refer to note 22	
	Refer to note 30	
Post employment benefit plan for employees		
Executive Council Members		
43. Prior period errors		
The prior year has been amended to account for prior period errors.		

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
43. Prior period errors (continued)		
Below is a description of each individual prior period error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed.		
1.Expenses not accrued in prior years		
Some general expenses, repairs and maintenanc,employees cost,bulk charges and finance cost were incorrectly accrued in 2011/2012 and 2013/2013 years. These have been corrected and the 2012/2013 amounts restated accordingly		
The effect of this adjustment on the prior year is as follows:		
Adjustment against the opening accumulated surplus 1 July 2012	-	(1,673,042)
Adjustments affecting the statement of financial position		
Increase in payables from exchange transactions	-	(311,927)
Decrease in receivables from exchange transactions	-	(10,600)
	-	(322,527)
Adjustments affecting the statement of financial performance		
Increase in repairs and maintenance	-	8,609
Increase in personnel cost	-	1,751,188
Increase in finance charges	-	3,504,398
Decrease in general expenditure	-	(3,268,626)
	-	1,995,569
2 Revenue incorrectly accounted in the prior years		
Some services charges,rates,interest on consumers and other income were incorrectly billed in 2011/2012 and 2012/2013 years. These have been corrected and the 2012/2013 amounts be restatde accordingly		
Adjustment against opening the accumulated surplus 1 July 2012	-	(645,595)
Adjustments affecting the statement of financial position		
Increase in receivables from exchange transactions	-	1,834,932
Increase in payables from exchange transactions	-	(1,024,416)
Decrease in consumer deposit	-	5,000
	-	815,516
Adjustments affecting the statement of financial performance		
Decrease in service charges	-	4,437,683
Increase in interest trading services	-	(4,607,604)
	-	(169,921)
3.Inventory incorectly accounted for in previous financial years		
Inventory was incorrectly captured in 2011/2012 year. These were corrected and the 2011/2012 amounts restade accordingly		
The effect of this adjustment on the prior year is as follows:		
Adjustment against the opening accumulated surplus 1 July 2012	-	(10,092)
Adjustments affecting the statement of financial position		
Increase in Inventories	-	10,092

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
43. Prior period errors (continued)		
4. Write off Grants		
Adjustment against the opening accumulated surplus 1 July 2012	-	(761,567)
Adjustments affecting the statement of financial position		
Decrease unspent grants	-	761,567
5. Provision on stadium corrected		
Accruals for stadium for 2010 soccer world cup were corrected. These have been corrected and the 2011/2012 amounts restated accordingly.		
The effect of these adjustments on the prior year are as follows:		
Adjustment against the opening accumulated surplus 1 July 2012	-	(1,616,005)
Adjustments affecting the statement of financial position		
Decrease in payables from exchange transactions	-	1,616,005

6. Unclaimed water and lights deposits

The unclaimed creditors water and lights register were cleared. These transactions have been corrected and the 2011/2012 amounts were restated accordingly.

The effect of these adjustments on the prior year are as follows:

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
43. Prior period errors (continued)		
Adjustment against the opening accumulated surplus 1 July 2012	-	(301,425)
Adjustments affecting the statement of financial position		
Decrease in payables from exchange transactions	-	301,425
7. Interest received from NRB		
Interest received from NRB that is under liquidation. These have been corrected and 2012/2013 have been restated		
The effect of these adjustments on the prior year are as follows:		
Adjustments affecting the statement of financial position		
Decrease in payables on exchange transactions	-	218,134
Adjustments affecting the statement of financial performance		
Increase in interest on investments	-	(218,134)
8. Unauthorised expenditure		
During the preparation of the 2013/2014 financial statements additional unauthorised expenditure has been identified which relates to the prior year. This error resulted in the understatement of the prior year unauthorised expenditure with an amount of R25 406. These have been corrected and 2012/2013 amounts in note 50 restated accordingly		
Adjustment affecting the current year expenditure		
Increase in Unauthorised expenditure - current year	-	25,406
Adjustments affecting the statement of financial position		
9. Irregular expenditure		
The total population of expenditure was worked through to determine irregular expenditure for 2011/2011, 2011/2012 and 2012/13 financial years. The irregular expenditure for 2010/2011 financial year decreased by R46 930 356, for the 2011/2012 financial year decreased by R49 391 986 and the irregular expenditure for 2012/2013 financial year decreased by R59 846 375. These have been corrected and 2012/2013 amounts in note 52 restated accordingly.		
Adjustment affecting the opening balance		
Decrease in 2010/2011 expenditure	-	(46,930,356)
Decrease in 2011/2012 expenditure	-	(49,391,986)
	-	(96,322,342)
Adjustments affecting the current year expenditure		
Decrease in Irregular expenditure- current year	-	(59,846,375)
10. Fruitless and wasteful expenditure		
The municipality embarked on a detail investigation of prior year's payments to ensure that all fruitless and wasteful expenditure is disclosed and to ensure that the disclosure is accurate. This detail investigation resulted in prior year disclosure being understated with R151 293. These have been corrected and 2012/2013 amounts in note 51 restated accordingly.		
Adjustments affecting the current year expenditure		

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
43. Prior period errors (continued)		
Increase in Fruitless and wasteful - current year	-	151,293
Adjustments affecting the statement of financial position		
11. VAT		
Some VAT were incorrectly accounted for in the 2011/2012 and 2012/2013 years. These have been corrected and the prior year amounts restated accordingly.		
The effect of this adjustment on the prior year is as follows:		
Adjustment against the opening accumulated surplus 1 July 2012		
Adjustment against the opening accumulated surplus / (deficit)	-	(2,001,484)
Adjustments affecting the statement of financial position		
Increase in VAT	-	2,000,305
Adjustments affecting the statement of financial performance		
Increase in General expenditure	-	1,179
12. Commitments		
During the finalisation of the 2013/2014 financial statements it was found that infrastructure commitments for 2012/2013 were understated. These have been corrected and 2012/2013 amounts in note 40 restated accordingly.		
Increase in infrastructure commitments	-	39,800,553

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2014	2013			
43. Prior period errors (continued)						
		-	-			
Statement of Financial Performance for the year ended 30 June 2013	Balance as previously reported	Change in accounting policies	Prior period error	Change in estimate	Reclassified (note 44)	Restated balance
Revenue						
Service charges	371,296,008	-	(4,437,683)	-	-	366,858,325
Rental of facilities and equipment	4,513,791	-	-	-	-	4,513,791
Interest received - consumers	13,900,457	-	4,607,604	-	-	18,508,061
Interest received - investment	1,542,782	-	218,134	-	-	1,760,916
Licences and permits	119,927	-	-	-	5,443	125,370
Connection fees	1,436,761	-	-	-	-	1,436,761
Income legal costs	2,209,750	-	-	-	-	2,209,750
Levies - refuse dumpyard	2,856,646	-	-	-	-	2,856,646
Non-payment fees	2,449,096	-	-	-	-	2,449,096
Other income	2,350,530	-	-	-	-	2,350,530
Property rates	92,485,486	-	-	-	-	92,485,486
Fines	4,194,174	-	-	-	-	4,194,174
Government grants & subsidies	164,958,028	-	-	-	-	164,958,028
Public contributions and donations	500,000	-	-	-	-	500,000
Total revenue	664,813,436	-	388,055	-	5,443	665,206,934
Expenditure						
Employee related costs	(170,172,982)	-	(1,751,188)	-	-	(171,924,170)
Remuneration of councillors	(12,101,917)	-	-	-	-	(12,101,917)
Depreciation and amortisation	(43,308,891)	-	-	-	-	(43,308,891)
Finance costs	(1,173,785)	-	(3,504,398)	-	-	(4,678,183)
Debt impairment	(62,594,108)	-	-	-	-	(62,594,108)
Repairs and maintenance	(23,607,815)	-	(8,610)	-	-	(23,616,425)
Bulk purchases	(235,117,892)	-	-	-	-	(235,117,892)
Contracted services	(20,021,661)	-	-	-	-	(20,021,661)
Grants and subsidies paid	(30,957,609)	-	-	-	-	(30,957,609)
General expenses	(62,909,804)	-	3,268,626	-	(5,443)	(59,646,621)
Total expenditure	(661,966,464)	-	(1,995,570)	-	(5,443)	(663,967,477)
Operating surplus / (deficit)	2,846,972	-	(1,607,515)	-	-	1,239,457

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2014				2013	
43. Prior period errors (continued)							
Actuarial loss	(2,754,115)	-	-	-	-	(2,754,115)	
Fair value adjustments	2,965,760	-	-	-	-	2,965,760	
Sale of stands	276,077	-	-	-	-	276,077	
Surplus/(Loss) on inventory	93,897	-	-	-	-	93,897	
Deficit on derecognition of liabilities	(3,221,146)	-	-	-	-	(3,221,146)	
Fair value of shares	514,576	-	-	-	-	514,576	
Surplus / (deficit) for the year	722,021	-	(1,607,515)	-	-	(885,494)	

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2014	2013			
43. Prior period errors (continued)						
Statement of Financial Position as at 30 June 2013	Balance as previously reported	Change in accounting policies	Prior period error	Change in estimate	Reclassified (note 44)	Restated balance
Assets						
Current Assets						
Inventories	20,958,681	-	10,092	-	-	20,968,773
Receivables from non-exchange transactions	28,252,097	-	-	-	-	28,252,097
VAT receivable	3,368,708	-	2,000,308	-	-	5,369,016
Receivables from exchange transactions	81,117,221	-	1,824,332	-	-	82,941,553
Cash and cash equivalents	9,184,281	-	-	-	-	9,184,281
Other financial assets	12,612,395	-	-	-	-	12,612,395
Total current assets	155,493,383	-	3,834,732	-	-	159,328,115
Non-current Assets						
Heritage assets	561,000	-	-	-	-	561,000
Investment property	77,880,709	-	-	-	-	77,880,709
Property, plant and equipment	864,679,506	-	-	-	-	864,679,506
Intangible assets	188,809	-	-	-	-	188,809
Other financial assets	1,675,943	-	-	-	-	1,675,943
Total non-current assets	944,985,967	-	-	-	-	944,985,967
Liabilities						
Current Liabilities						
Payables from exchange transactions	132,912,373	-	(799,221)	-	-	132,113,152
Finance lease obligation	12,516,576	-	-	-	-	12,516,576
Operating lease liability	483,626	-	-	-	-	483,626
Unspent conditional grants and receipts	5,108,592	-	(761,567)	-	-	4,347,025
Consumer deposits	12,170,254	-	(5,000)	-	-	12,165,254
Short term portion - Long term loan	982,923	-	-	-	-	982,923

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand		2014				2013
43. Prior period errors (continued)						
Short term loan	6,436,878	-	-	-	-	6,436,878
Total current liabilities	170,611,222	-	(1,565,788)	-	-	169,045,434
Non-current Liabilities						
Landfill closure provision	31,600,191	-	-	-	-	31,600,191
Employee benefits obligation	45,513,512	-	-	-	-	45,513,512
Long term loan	8,017,077	-	-	-	-	8,017,077
Total non-current liabilities	85,130,780	-	-	-	-	85,130,780
Net Assets						
Accumulated surplus - Opening balance	844,015,327	-	7,009,211	-	-	851,024,538
Surplus / (deficit) for the year	722,021	-	(1,608,694)	-	-	(886,673)
Total net assets	844,737,348	-	5,400,517	-	-	850,137,865

44. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of Financial Performance

Decrease general expenses	-	(5,443)
Increase licence and permit fees	-	5,443

45. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: credit risk and liquidity risk and market risk.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

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

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.

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

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	167,120,969	-	-	-
Consumer deposits	13,800,193	-	-	-
At 30 June 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	12,516,576	-	-	-
Payables from exchange transactions	132,113,154	-	-	-
Consumer deposits	12,165,254	-	-	-

Credit risk

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

Receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management.

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

Financial instrument	2014	2013
Receivables from exchange transactions	96,250,962	82,941,553
Receivables from non-exchange transactions	27,208,274	28,252,097
Cash and cash equivalents	26,129,149	9,184,281
Other financial assets	15,218,225	12,612,395

Market risk

Interest rate risk

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

46. Going concern

We draw attention to the fact that at 30 June 2014, the municipality had accumulated surplus of R 923,325,302 (2013: R 850,137,865) and that the municipality's total liabilities exceed its assets by R 923,325,302 (2013: R 850,137,865). Current liabilities exceed current assets by R667 421 (2013: R9 717 322)

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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47. Events after the reporting date

The Accounting Officer identified the following non-adjusting events arising since reporting date:

- Sewer spillage in Deneysville on 10 July 2014. An estimation of the financial effect cannot be made.
- Damage to the municipal office and municipal vehicles in Deneysville on 16 August 2014 due to fire with an estimated replacement value of R500 000 to the technical office, and R3 208 000 due to damage to municipal vehicles.
- Damage to electricity network during the five week strike with an estimated replacement value of R1 657 666.

48. Deviation from supply chain management regulations

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

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

Metsimaholo Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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49. Budget differences

Material differences between budget and actual amounts

1. Service charges - Electricity sales that were less than the budget, only 86% of budget and sewer charges 86.4% of the budget.
2. Rental of facilities and equipment - The budget was not met on the rental of facilities at the recreational facilities
3. Interest trading - The budget exceeded, more consumers were in arrears than anticipated
4. Licences and permits - The budget on public vehicle licences and street trading licences were more than actual receipts
5. Fines - Traffic fines were budgeted for R7 million and R15.8 million was recorded to be in line with GRAP on traffic fines
6. Dump yard fees - Only 40% of the budget fees were levied due to ineffective system and control at the dumping sites
6. Investments interest - The interest earned were 96.5% of the budget and is a result of the availability of funds to invest .
7. Property rates - Property rates levied exceeded the budget
8. Government grants - All the grants were received as per budget except for R11 million from Human Settlements.
9. Personnel - The salary budget was not spent fully as problems were experienced with appointment of staff but more overtime was allocated.
10. Remuneration of councillors - 99.6% of budget was incurred.
11. Depreciation - A change of estimate contribution that only 70% of budget was allocated.
12. Finance Cost - The total loan of DBSA was not taken up as projected in the budget only R9 million was disbursed in previous financial year and no further of the loan was disbursed.
13. Debt impairment - The actual lower payment rate as the budget assumption contribute to the increase in actual debt impairment. Further provision was made for the impairment of traffic fines.
14. Repairs and maintenance - The actual expenditure versus budget is 37.5% and is a result of cash flow problems experienced.
15. Bulk purchases -85.9% of the budget was spend
16. Contracted services - The budget was 119% spend due to spending on commission for easy pay and electricity sales as per contract as well as security services.
17. Grants and subsidies - The actual allocations is 68% of the budget
18. General expenditure - The projection as per budget was not met due to operational matters
19. Profit on sale of assets - R5 million was budgeted for sale of land but the implementation of the selling of land is still in process.

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Figures in Rand	2014	2013
50. Unauthorised expenditure		
Opening balance	91,491,420	89,298,130
Unauthorised expenditure - current year	26,541,398	7,227,972
Approval by Council or Condoned	-	(5,034,682)
	118,032,818	91,491,420

Details of unauthorised expenditure – current year

Financial services exceeded : Budget R35 561	26,541,398
230: Actual expenditure R62 102 628	

Details of unauthorised expenditure - prior year

Employees	
Beethoven's Guest House Lodge -	42,456
Accommodation of director LED Ms Monyaki (Corporate / LED services)	
Financial Services exceeded budget. Budget R29,012,120 actual expenditure R36,197,636	7,185,516
Total	7,227,972

Details of unauthorised expenditure condoned - prior years

2008/2009 - Employees - Staff act in positions that are not on approved structure	2,234
2009/2010 - Employees - Staff act in positions that are not approved structure	121,385
2009/2010 - Employees - Staff act in positions that are not approved structure	120,385
2010/2011 - Employees - Staff acts in positions that are not on approved structure. Reported in June 2011 Financial Indicators.	444,968
2010/2011 - Employees - Staff acts in positions that are not on approved structure. Reported in June 2011 Financial Indicators.	1,407,033
2011/2012 - Employees - Staff act in positions that are not approved structure	365,704
2011/2012 - Employees - Staff act in positions that are not approved structure	2,559,273
2011/2012 - Lennocely Investment Holding - Payment for accommodation for netball team without an order. Reported September 2011 Financial Indicators.	13,700
	5,034,682

51. Fruitless and wasteful expenditure

Opening balance	7,835,911	6,479,684
Fruitless and wasteful expenditure - current year	1,398,877	1,387,237
Condoned or written off by Council	-	(31,010)
	9,234,788	7,835,911

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
51. Fruitless and wasteful expenditure (continued)		
Details of fruitless and wasteful expenditure – current year		
Post Office -Payment for post of accounts.	20	
Interst charged on late payment of accounts		
Telkom - Payment for telephone lines and calls.	7,501	
Interest chrged for late payment of account.		
ESKOM - Payment for bulk services of electricity.	168,083	
Ineterst charged for late payment of account.		
Rand Water - Payment for bulk services of water.	147,276	
Interest charged for late payment of account.		
ABSA Bank - Interest charged. Sweeping on revenue account done by ABSA took account into an overdraft.	1,650	
DDP Vauers - Payment for services related to municipal valuation roll. Interest charged for late payment of account	365,955	
SARS - Interest charged for late submission.problems experienced with e-filing.	233,014	
North West University.- Payment for studies of student sponsed by the Executive Mayor. Interest charged for late payment of account.	95	
Development Bank of South Africa. - Payment for redemption of loan. Interest charged for late payment of account.	2,909	
Stones Plant Hire -Payment for hiring of equipment. Interest charged for late payment of account.	485	
Auditor General- Payment for assuarance work performed. Interest charged for late payment of account.	6,031	
Anto boga Hotel - Payment for accommodation. Couse time reduce by COGTA after payment was made. Hotel refused refund	5,082	
F J Motloun received settlement after labor case between Mr Motloun and Municipality. Case in favour of Mr Motloun	444,768	
P Roodt Value R88201.80, case # 1897/13 Kamati Incorporated vs Metsemaholo Local Municipality, interest on judgement debt	16,008	
	1,398,877	

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
51. Fruitless and wasteful expenditure (continued)		
Details of fruitless and wasteful expenditure - prior year		
Sheriff - Case between Axton Matrix Construction and Metsimaholo Municipality in attachment of property (Legal section)		6,797
Melato Attorneys - For SABLG settlement agreement on the case of Mr Fusi John Motloun (Legal services)		78,222
MTN - Unknown persons use cell phone and another person use 3G to make calls.		7,166
Cape Town Airport - Ms Matladi Mokoena and Mr Teboho Mokoena attended an IMFO Risk and Audi Indaba. Due to unforeseen circumstances beyond their control over the traffic in N2 route to Cape Town Airport, they arrived 30 minutes before the time and were requested not to check in as the boarding gate was closed. Therefore were told to apply for a standby flight in which an extra fee of R 2 320 was requested from each individual (Office of the municipal manager)		4,640
Ramosunya Catering - Catering for wellness day. Not all the goods were received as per agreement (Corporate services)		45,000
Sheriff of the court - Court case between Metsimaholo and Axton Matrix (Corporate services) plus interest		183,906
Free State Government Garage Penalties on late payments		1,389
IPM - For the annual convention and exhibition. The delegates did not attend (Corporate services)		26,370
Nashua Vaal - Photocopy machine not used. Interest on invoices 074259, 077983, 080944 (Office of the municipal manager)		18,083
Nashua Vaal - Payment for photocopy machine not used (Office of the municipal manager)		15,570
Payments with regards to case no: 2/2012 African Oxygen Ltd/ta Afrox (Corporate services)		3,752
Matsepes Attorneys - Payment for warrant of execution GLM Denny & RG Ross / Metsimaholo case no: 300/2012		10,396
Telkom - Payment for telephone lines and calls. Interest charged on late payment of account.		16,379

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
51. Fruitless and wasteful expenditure (continued)		
Auditor General - Payment for assurance work performed. Interest charged on late payment of account.		79,662
Eskom - Payment for bulk purchase of electricity. Interest charged on late payment of account.		37,994
Interest on HP lease on extended terms		495,901
Interest on INCA loan		356,010
		1,387,237

52. Irregular expenditure

Opening balance	83,442,729	66,591,557
Add: Irregular Expenditure - current year	57,790,058	17,119,322
Add: Irregular Expenditure - prior year 2010/2011	17,203,639	-
Add: Irregular Expenditure - prior year 2011/2012	20,175,958	-
Add: Irregular Expenditure - prior year 2012/2013	23,965,882	-
Less: Amounts condoned	-	(268,150)
	202,578,266	83,442,729

Analysis of expenditure per classification

Not submitting the minimum quotations for acquiring goods and services.	1,039,025	2,176,482
Deviations not in line with the deviation criteria in term of supply chain management regulations.	-	1,524,085
Unauthorised sole supplier	211,416	1,109,816
Supplier did not submit declarations of interest	804,535	-
Supplier did not submit Tax clearance certificate.	-	336,043
Supplier not on the accredited prospective providers list and the listing requirements not met.	1,803,770	1,263,336
Invoices deliberately split.	242,935	921,257
Competitive bidding process not followed.	38,902,750	7,974,993
Contract/ SLA expired ie exceeds three years, no valid approval for extension.	9,941,206	10,466,521
No supporting documentation(payment vouchers and/or tender documentation)	4,844,421	15,312,670
	57,790,058	41,085,203

Subtotal of 2013 irregular expenditure

Current year as disclosed in 2013	17,119,321
2013 as disclosed in 2014	23,965,882
	41,085,203

53. Change in estimate

Property, plant and equipment

The useful life of property, plant and equipment items in the asset register on 1 July 2013 was extended with 2 and 3 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 24,983,724

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
54. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year subscription	1,809,818	1,575,888
Amount paid - current year	(1,809,818)	(1,575,888)
	<u>-</u>	<u>-</u>
Audit fees		
Opening balance	-	2,028,071
Current year fee	4,822,252	4,274,850
Amount paid - current year	(4,951,858)	(6,382,583)
Interest	(20,677)	79,662
	<u>(150,283)</u>	<u>-</u>
PAYE and UIF		
Current year subscription	27,882,675	23,117,686
Amount paid - current year	(27,882,675)	(23,117,686)
	<u>-</u>	<u>-</u>
Pension and medical aid deductions		
Current year subscription	46,076,515	41,233,578
Amount paid - current year	(46,076,515)	(41,233,578)
	<u>-</u>	<u>-</u>
VAT		
VAT receivable	-	5,369,013
VAT payable	1,178,187	-
	<u>1,178,187</u>	<u>5,369,013</u>

VAT output payable and VAT input receivable are shown in note 6 and 16.

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

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Chebase E (Acc no 601490)	-	28,434	28,434
Khonto MW (Acc no 528629)	-	6,927	6,927
Khunou PJ (Acc no 103351)	-	14,883	14,883
Mabasa KT (Acc no 579460)	-	2,172	2,172
Machaea MF (Acc no 103252)	-	112	112
Maseko VJ (Acc no 611123 and 565830)	-	10,092	10,092
Mdola NL (Acc no 799083)	-	7,273	7,273
Mahlangu J (Acc no 612694)	-	74,354	74,354
Mofokeng TJ (Acc no 511539)	-	11,625	11,625
Mokoena E (Acc no 611797)	-	3,000	3,000
Moreki S (Acc no 526465)	-	63,730	63,730
Mosia MM (Acc no 555731)	-	2,333	2,333
Mtshali BP (Acc no 103466 and 562315)	-	100,699	100,699
Nthebe MD (Acc no 104154)	-	84,038	84,038
Poho MS (Acc no 512681 & 589204)	-	6,187	6,187
Radebe M (Acc no 526972)	-	1,135	1,135
Sejaki PS (Acc no 6012077 and 565498)	-	40,903	40,903
Soetsang J (Acc no 512642)	-	974	974
Tamane WL (Acc no 551238)	-	4,045	4,045
	-	462,916	462,916

30 June 2013	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Khonto MW (Acc no 528629) arrangements	-	6,787	6,787
Maseko VJ (Acc no 611123 and 793669) arrangements	-	19,750	19,750
Motloung DN (Acc no 510127 and 575993) arrangements	-	6,194	6,194
Msimanga MJ (Acc no 556692, 576889 and 579959) arrangements	-	19,097	19,097
Nthebe MD (Acc no 104154)	-	79,597	79,597
	-	131,425	131,425

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

Incident

Social crime prevention	1,315,318	-
Quotations received outside the official procurement process	2,440,550	4,207,611
Sole suppliers	1,878,205	-
Emergency	982,502	-
	6,616,575	4,207,611

Metsimaholo Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the Annual Financial Statements

Figures in Rand	2014	2013
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55. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the amended standard of IGRAP 1 Applying the probability test on initial recognition of revenue. The changes resulting from the application of this Standards of GRAP was accounted for prospectively.

Fines income and receivables

During the year, the municipality changed its accounting policy with respect to the treatment of fine income, in order to conform with the benchmark treatment in of IGRAP1 – Applying the probability test on initial recognition of revenue. The municipality previously measured fine receivables after taking into account the collectability of the receivable. Due to the amendments to IGRAP 1 the municipality now measures fine receivables in full. The municipality subsequently makes provision for an impairment allowance by assesses the probability of collecting the revenue when the accounts fall in arrears.

There has been no effect, due to the changes in accounting policy, on the annual financial statements for the year ended 30 June 2013 as the transitional provision for IGRAP 1 allows for the amendments to be applied prospectively for annual financial periods beginning on or after 1 April 2013.

Statement of financial position

Receivables from non-exchange transactions

Adjustment	-	-
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Statement of Financial Performance

Fines

Adjustment	(9,610,838)	-
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Debt impairment

Adjustment	9,610,838	-
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56. In-kind donations and assistance

Other projects

Repairs and maintenance	14,288,851	-
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Multi-year projects

Upgrading and safemaking of roads	10,967,358	-
Upgrading and installation of swimming pool equipment	862,256	-
Resurfacing of athletics track and upgrading of stadium facilities	7,869,939	-
Upgrading of theatre and rejuvenating of parks	3,233,083	-
Security and maintenance equipment upgrade at dump site	1,218,069	-
	24,150,705	-

The in-kind donations and assistance relate to projects undertaken by Sasol (Pty) Ltd for the benefit of Metsimaholo Local Municipality. Many of the projects are multi-year projects which will be completed in the next financial year at which stage the underlying assets will transferred to the Municipality and be recorded as assets in the register. However there are other projects undertaken by Sasol (Ltd) which do not result in assets but are maintenance and repairing of existing assets of the municipality at not cost. These other projects are considered to be in-kind donations and is disclosed as such.

In addition to the agreement mentioned above during 2013/2014 financial year the Free State Provincial Government has entered into an agreement with Sasol (Ltd) whereby Sasol (Ltd) will assist municipalities with certain projects that are of priority to the municipality. Metsimaholo Local Municipality is a beneficiary to this agreement. The full extent of the projects and the quantum thereof has yet to be agreed upon by the parties concerned, and as the result the value of any benefit to the municipality under this agreement cannot be quantified as this stage.

Metsimaholo Local Municipality
Appendix A

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
Loan 61006825	9000000	9,000,000	-	982,923	8,017,077	-	-
		9,000,000	-	982,923	8,017,077	-	-
Total external loans							
Development Bank of South Africa		9,000,000	-	982,923	8,017,077	-	-
		9,000,000	-	982,923	8,017,077	-	-

Metsimaholo Local Municipality
Metsimaholo Local Municipality
Appendix B

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

[illegible]

Metsimaholo Local Municipality
Metsimaholo Local Municipality
Appendix B

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	32,225,791	-	(3,724,463)	-	-	-	28,501,328	(16,180,711)	2,532,178	-	(3,833,614)	-	(17,482,147)	11,019,181
Plant & equipment	15,934,812	1,240,369	(50,631)	-	-	-	17,124,550	(9,343,797)	39,359	-	(1,389,193)	-	(10,693,631)	6,430,919
Computer Equipment	8,018,213	42,297	(20,903)	-	-	-	8,039,607	(5,070,978)	16,227	-	(1,240,155)	-	(6,294,906)	1,744,701
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	7,066,662	-	(301,754)	-	-	-	6,764,908	(4,068,598)	237,905	-	(1,009,788)	-	(4,840,481)	1,924,427
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	51,616,608	-	(62,908)	-	-	-	51,553,700	(43,343,904)	41,643	-	7,424,814	-	(35,877,447)	15,676,253
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	114,862,086	1,282,666	(4,160,659)	-	-	-	111,984,093	(78,007,988)	2,867,312	-	(47,936)	-	(75,188,612)	36,795,480

Metsimaholo Local Municipality
Metsimaholo Local Municipality
Appendix B

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	195,280,137	3,331,774	(472,000)	-	-	24,171,106	222,311,017	(47,022,751)	129,100	-	(2,659,398)	-	(49,553,049)	172,757,968
Infrastructure	1,584,842,615	65,919,880	-	-	-	-	1,650,762,495	(905,274,591)	-	-	(30,069,510)	-	(935,344,101)	715,418,394
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	114,862,086	1,282,666	(4,160,659)	-	-	-	111,984,093	(78,007,988)	2,867,312	-	(47,936)	-	(75,188,612)	36,795,481
	1,895,545,838	70,534,320	(4,632,659)	-	-	24,171,106	1,985,618,605	(1,030,305,330)	2,996,412	-	(32,776,844)	-	(1,060,085,762)	925,532,843
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	488,121	375,200	-	-	-	-	863,321	(299,312)	-	-	(84,393)	-	(383,705)	479,616
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	488,121	375,200	-	-	-	-	863,321	(299,312)	-	-	(84,393)	-	(383,705)	479,616
Investment properties														
Investment property	78,316,762	-	-	-	-	9,484,000	87,800,762	(436,053)	-	-	(25,791)	-	(461,844)	87,338,918
	78,316,762	-	-	-	-	9,484,000	87,800,762	(436,053)	-	-	(25,791)	-	(461,844)	87,338,918
Total														
Land and buildings	195,280,137	3,331,774	(472,000)	-	-	24,171,106	222,311,017	(47,022,751)	129,100	-	(2,659,398)	-	(49,553,049)	172,757,968
Infrastructure	1,584,842,615	65,919,880	-	-	-	-	1,650,762,495	(905,274,591)	-	-	(30,069,510)	-	(935,344,101)	715,418,394
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	114,862,086	1,282,666	(4,160,659)	-	-	-	111,984,093	(78,007,988)	2,867,312	-	(47,936)	-	(75,188,612)	36,795,481
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	488,121	375,200	-	-	-	-	863,321	(299,312)	-	-	(84,393)	-	(383,705)	479,616
Investment properties	78,316,762	-	-	-	-	9,484,000	87,800,762	(436,053)	-	-	(25,791)	-	(461,844)	87,338,918
	1,974,350,721	70,909,520	(4,632,659)	-	-	33,655,106	2,074,282,688	(1,031,040,695)	2,996,412	-	(32,887,028)	-	(1,060,931,311)	1,013,351,377

Metsimaholo Local Municipality
Metsimaholo Local Municipality
Appendix B

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	66,413,697	-	-	-	-	-	66,413,697	-	-	-	-	-	-	66,413,697
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	130,096,171	-	(1,229,728)	-	-	-	128,866,443	(44,328,397)	(106,827)	-	(2,587,527)	-	(47,022,751)	81,843,692
	196,509,868	-	(1,229,728)	-	-	-	195,280,140	(44,328,397)	(106,827)	-	(2,587,527)	-	(47,022,751)	148,257,389
Infrastructure														
Roads, Pavements & Bridges	696,434,959	10,042,420	-	-	-	-	706,477,379	(437,182,562)	-	-	(21,054,113)	-	(458,236,675)	248,240,704
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	220,163,008	7,416,598	-	-	-	-	227,579,606	(100,306,924)	-	-	(6,054,867)	-	(106,361,791)	121,217,815
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	400,608,964	22,595,892	-	-	-	-	423,204,856	(242,805,632)	-	-	(7,057,909)	-	(249,863,541)	173,341,315
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	195,681,150	27,543,791	-	-	-	-	223,224,941	(87,188,884)	-	-	(2,940,597)	-	(90,129,481)	133,095,460
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	85,719	-	-	-	-	-	85,719	(65,818)	-	-	(1,052)	-	(66,870)	18,849
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	3,724,168	545,947	-	-	-	-	4,270,115	(536,986)	-	-	(79,248)	-	(616,234)	3,653,881
	1,516,697,968	68,144,648	-	-	-	-	1,584,842,616	(868,086,806)	-	-	(37,187,786)	-	(905,274,592)	679,568,024
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Metsimaholo Local Municipality
Metsimaholo Local Municipality
Appendix B

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	22,521,601	9,704,192	-	(2)	-	-	32,225,791	(17,017,985)	-	-	837,274	-	(16,180,711)	16,045,080
Plant & equipment	15,478,053	464,486	-	(7,726)	-	-	15,934,813	(9,066,138)	-	-	(277,660)	-	(9,343,798)	6,591,015
Computer Equipment	7,821,262	196,951	-	-	-	-	8,018,213	(5,143,367)	-	-	72,389	-	(5,070,978)	2,947,235
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	5,954,054	1,101,255	-	11,354	-	-	7,066,663	(4,548,598)	-	-	480,000	-	(4,068,598)	2,998,065
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	51,616,608	-	-	-	-	-	51,616,608	(38,669,509)	-	-	(4,674,395)	-	(43,343,904)	8,272,704
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	103,391,578	11,466,884	-	3,626	-	-	114,862,088	(74,445,597)	-	-	(3,562,392)	-	(78,007,989)	36,854,099

**Metsimaholo Local Municipality
Metsimaholo Local Municipality
Appendix B**

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

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	196,509,868	-	(1,229,728)	-	-	-	195,280,140	(44,328,397)	(106,827)	-	(2,587,527)	-	(47,022,751)	148,257,389
Infrastructure	1,516,697,968	68,144,648	-	-	-	-	1,584,842,616	(868,086,806)	-	-	(37,187,786)	-	(905,274,592)	679,568,024
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	103,391,578	11,466,884	-	3,626	-	-	114,862,088	(74,445,597)	-	-	(3,562,392)	-	(78,007,989)	36,854,099
	1,817,160,414	79,611,532	(1,229,728)	3,626	-	-	1,895,545,844	(986,860,800)	(106,827)	-	(43,337,705)	-	1,030,305,332	865,240,512
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	488,121	-	-	-	-	-	488,121	(353,914)	-	-	54,602	-	(299,312)	188,809
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	488,121	-	-	-	-	-	488,121	(353,914)	-	-	54,602	-	(299,312)	188,809
Investment properties														
Investment property	79,669,762	-	(1,353,000)	-	-	-	78,316,762	(410,262)	-	-	(25,791)	-	(436,053)	77,880,709
	79,669,762	-	(1,353,000)	-	-	-	78,316,762	(410,262)	-	-	(25,791)	-	(436,053)	77,880,709
Total														
Land and buildings	196,509,868	-	(1,229,728)	-	-	-	195,280,140	(44,328,397)	(106,827)	-	(2,587,527)	-	(47,022,751)	148,257,389
Infrastructure	1,516,697,968	68,144,648	-	-	-	-	1,584,842,616	(868,086,806)	-	-	(37,187,786)	-	(905,274,592)	679,568,024
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	561,000	-	-	-	-	-	561,000	-	-	-	-	-	-	561,000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	103,391,578	11,466,884	-	3,626	-	-	114,862,088	(74,445,597)	-	-	(3,562,392)	-	(78,007,989)	36,854,099
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	488,121	-	-	-	-	-	488,121	(353,914)	-	-	54,602	-	(299,312)	188,809
Investment properties	79,669,762	-	(1,353,000)	-	-	-	78,316,762	(410,262)	-	-	(25,791)	-	(436,053)	77,880,709
	1,897,318,297	79,611,532	(2,582,728)	3,626	-	-	1,974,350,727	(987,624,976)	(106,827)	-	(43,308,894)	-	1,031,040,697	943,310,030

Metsimaholo Local Municipality

Appendix F

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jul	Sep	Dec	Mar	Jun	Jul	Sep	Dec	Mar	Jun	Jul	Sep	Dec	Mar	Jun			
MIG		-	17,430	21,258	6,046	-	-	4,154	4,719	5,662	29,982	298	-	-	-	-	No		
DoE		-	34,500	-	-	-	-	3,618	3,797	5,637	13,887	-	-	-	-	-			
MSIG		-	890	-	-	-	-	296	197	-	398	-	-	-	-	-			
WSOG		-	904	904	904	-	-	-	904	904	904	-	-	-	-	-			
FMG		-	1,550	-	-	-	-	445	395	118	592	-	-	-	-	-			
Extended Public Work Programme		-	400	-	600	-	-	8	8	99	251	-	-	-	-	-			
SETA		-	128	-	9	-	-	128	-	9	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	55,802	22,162	7,559	-	-	8,649	10,020	12,429	46,014	298	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.