



South Africa's first democratic platinum city

**Greater Tubatse Municipality
(Registration number Lim 475)**

**Annual Financial Statements
for the year ended 30 June 2014**

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

General Information

Legal form of entity Local Municipality

Nature of business and principal activities Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and the Municipal System Act No. 32 of 2000

Mayor	Cllr R S Mamekoa
Executive Committee	Cllr N D Mphethi
	Cllr M E Mogofe
	Cllr M L Mabilu
	Cllr R F Lourens
	Cllr L D Moraba
	Cllr N M Moropane
	Cllr P A Mohlala
	Cllr P C Sekgobela
	Cllr M E Makgoga
	Cllr S M Nkosi (Chief Whip)
	Cllr Q M Moeng (Speaker)
Councillors	Cllr M M Mabelane
	Cllr M P Makine
	Cllr M R Mashabela
	Cllr M A Malatji
	Cllr D Kgoete
	Cllr B E Hlatshwayo
	Cllr M R Riba
	Cllr M S Hlongwa
	Cllr D P Nkwana
	Cllr N C Moropane
	Cllr M T Lesinya
	Cllr D M Magane
	Cllr L R Maroga
	Cllr K V Mphofelo
	Cllr K M Maile
	Cllr M C Komane
	Cllr M E Riba
	Cllr P J Hlatshwayo
	Cllr M N Thobejane
	Cllr A W Mbuyane
	Cllr S S Kgoete
	Cllr A S Maepa
	Cllr A M Shai
	Cllr N M Tshehla
	Cllr L J Rantho
	Cllr T D Komane
	Cllr J B Sekgobela
	Cllr N L Selahle
	Cllr L C Tau
	Cllr K J Mogale
	J L Kgwedi
	Cllr E Maleka
	Cllr I T Makofane
	Cllr R R Manotwane
	Cllr R L Makofane
	Cllr P E Malapane
	Cllr S M Malatjie
	Cllr M R Khoza
	Cllr S I Selala

Greater Tubatse Local Municipality

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General Information

Cllr M D Thobejane
Cllr P M Mahlaba
Cllr R Makhubedu
Cllr S C Mphogo
Cllr M D Nkosi
Cllr O S Serothwane
Cllr K J Moraba
A D Ngwatle
M M Mametja
N J Mahlake

Grading of local authority

Grade 4

Acting Chief Finance Officer (CFO)

Mr MW Maepa

Acting Accounting Officer

Ms. MA Monyepao

Registered office

Business address

NO. 01 Kastania Street
Burgersfort
1150

Postal address

The Greater Tubatse Municipality
Box 206
Burgersfort
1150

Bankers

First National Bank

Auditors

Auditors General South Africa
Polokwane
0777

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

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The reports and statements set out below comprise the financial statements presented to the Mafikeng Local Municipality's Council:

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Abbreviations

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

Greater Tubatse Local Municipality

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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 my responsibility 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 ended. The external auditors are engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data.

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

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I acknowledge that I am ultimately responsible for the system of internal financial control established by the Municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I set the 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.

I am 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.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, I am satisfied that the Municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The Municipality's operations depend on a number of sources of revenue, ranging from National Government to its own sources and donations. There are no signs or indications that any of these sources will be significantly curtailed. As such, the Annual Financial Statements are prepared on the basis that the Municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The external auditors are responsible for independently reviewing and reporting on the Municipality's Annual Financial Statements

The Annual Financial Statements set out on page 5 to 58, which have been prepared on the going concern basis, were approved and signed by me on 31 August 2014.

Accounting Officer

Greater Tubatsi Local Municipality

Financial Statements for the term ending 30 June 2014

Statement of Financial Position (Figures in Rand)

	Note (s)	2014	2013
ASSETS			
Current Assets			
Receivables from Exchange Transactions	10	1,437,356	5,936,352
Other Receivables from Non-exchange Transactions	9	3,107,301	4,048,335
Consumer Debtors from Exchange Transactions	11	21,696,537	8,533,668
Consumer Debtors from Non-exchange Transactions		50,993,768	29,366,185
Cash and Cash Equivalents	12	108,638,895	86,285,631
		185,873,856	134,170,170
Non-Current Assets			
Investment Property	2	120,255,400	116,114,800
Property, Plant and Equipment	3	1,449,089,504	1,451,634,697
Intangible Assets	4	64,062	101,500
		1,569,408,966	1,567,850,997
Total Assets		1,755,282,823	1,702,021,167
LIABILITIES			
Current Liabilities			
Other financial liabilities	13	1,084,555	1,039,746
Finance lease obligation	14	2,457,375	3,779,193
Payables from exchange transactions	17	38,895,325	20,996,379
VAT Payables	18	2,852,918	3,958,123
Consumer Deposits	19	1,192,319	1,143,396
Unspent Conditional Grants and Receipts	15	3,515,567	14,529,252
Provisions	16	678,536	678,536
		50,676,595	46,124,625
Non-Current Liabilities			
Other Interest Bearing Liabilities	13	14,215,385	16,069,395
Finance Lease Obligation	14	29,037,894	27,718,355
Retirement Benefit Obligation	6 & 7	21,264,000	20,149,000
Provisions	16	6,093,325	5,882,325
		70,610,604	69,819,075
Total Liabilities		121,287,199	115,943,700
Net Assets		1,633,995,624	1,586,077,467
NET ASSETS			
Reserves			
Government grant reserve		-	-
Accumulated surplus		1,633,995,624	1,586,077,467
Total Net Assets		1,633,995,624	1,586,077,467

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Statement of Financial Performance (Figures in Rand)

	Note (s)	2014	2013
REVENUE			
Property Rates	20	70,009,714	60,820,920
Service Charges	21	7,984,926	8,886,773
Rental of Facilities and Equipment		557,171	526,064
Interest Received	20	9,959,209	7,408,233
Other Revenue	24	12,757,322	13,326,516
Government Grants & Subsidies	23	211,942,000	178,342,046
Total Revenue		313,210,343	269,310,552
EXPENDITURE			
Personnel Costs	27	86,412,950	82,440,769
Remuneration of Councillors	28	17,789,181	17,946,712
Depreciation and Amortisation	31	59,775,155	33,997,016
Finance Costs	32	20,065,535	12,913,855
Debt Impairment	29	1,800,000	28,282,842
Charges	50	14,908,433	11,990,424
Repairs and Maintenance	49	6,796,939	5,444,158
Contracted Services	35	13,404,989	10,489,337
Grant and Subsidies	36	3,698,699	3,616,476
General Expenses	25	40,933,905	31,271,764
Total Expenditure		265,585,786	238,393,353
Surplus / (deficit) for the term		47,624,556	30,917,199
Fair value adjustments Investment Properties	30	4,140,600	15,058,700
Actuarial Gains and Losses Post Employment Benefits		(3,847,000)	(992,000)
Surplus for the year		47,918,156	44,983,899

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Statement of Changes in Net Assets (Figures in Rand)

	Notes	Total Reserves	Accumulated Surplus	Total Net Assets
Opening balance as previously reported		-	792,140,075	792,140,075
Adjustments		-		-
Correction of errors		-	(20,186,288)	(20,186,288)
Change in accounting policy		-		-
Total Changes		-	(20,186,288)	(20,186,288)
Balance at 01 July 2012			771,953,787	771,953,787
Changes in net assets		-	769,139,781	769,139,781
Surplus for the year		-	44,983,899	44,983,899
Total Changes		-	814,123,680	814,123,680
Balance at 01 July 2013		-	1,586,077,467	1,586,077,467
Changes in net assets				
Surplus for the year		-	47,918,156	47,918,156
Total Changes			47,918,156	47,918,156
Balance at 30 June 2014			1,633,995,624	1,633,995,624

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Cash Flow Statement (Figures in Rand)

	Note (s)	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		48,644,218	73,118,796
Grants		211,942,000	178,363,895
Interest received	20	9,959,209	4,499,640
Other Receipts		13,314,493	13,350,070
Other cash item		-	15,058,700
Total Receipts		283,859,921	284,391,101
Payments			
Employee costs		(104,202,130)	(100,387,481)
Suppliers		(62,855,493)	(78,379,845)
Finance Costs		(20,065,535)	(12,913,855)
Other payments		-	(992,000)
Other cash item		(18,015,054)	-
Total Payments		(205,138,212)	(192,673,181)
Net Cash Flows From Operating Activities	37	78,721,708	91,717,920
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	3	(54,556,969)	(47,232,877)
Proceeds from sale of biological assets that form part of an agricultural activity		-	(992,000)
Net Cash Flows From Investing Activities		(54,556,969)	(48,224,877)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Other Interest Bearing Liabilities		(1,809,201)	(1,027,059)
Finance Lease Payments		(2,279)	(951,424)
Net Cash Flows From Financing Activities		(1,811,480)	(1,978,483)
Net Increase/ (Decrease) in Cash and Cash Equivalents		22,353,259	41,514,560
Net Increase/ (Decrease) in Cash and Cash Equivalents		22,353,259	41,514,560
Cash and Cash Equivalents at the Beginning of the Year		86,285,636	44,771,076
Cash and Cash Equivalents at the End of the Year	12	108,638,895	86,285,636

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Accounting Policies

1. Presentation of Financial Statements

1.1 Statement of Compliance

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

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

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

1.2 Accounting estimates and judgements

Key source of estimation and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Although these estimates are based on management's best knowledge of the current events and actions they may undertake in the future actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In the process of applying the municipality's policies, management has made the following significant accounting judgments, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements and these are consistent with the previous period.

Impairment of Trade and Other Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their payment history. Debtors will be analyzed in terms of concentrations of individual risk classes showing each individual ageing.

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Accounting Policies

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provisions and other post-retirement benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in Note 6

Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio has either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgment. Management considers the impact of technology, availability of capital funding, service requirements, and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgment whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.3 Investment property

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

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

Investment property is held at fair value.

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Accounting Policies

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

Fair value

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

The fair value of investment property reflects estimated market conditions at the reporting date whilst provisional amounts reflect the amounts determined using a reasonable basis such as a valuation roll.

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

The fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

1.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment or at fair value where assets have been acquired by grant or donation.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery capabilities of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than for motor vehicles.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the Statement of Financial Performance.

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

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Accounting Policies

Assets held under finance leases are depreciated over their useful lives on the same basis as owned assets or, where appropriate, the terms of the relevant lease and the depreciation are recognised in the Statement of Financial Performance.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use.

The useful lives of items have been assessed as follows:

Item	Average useful life
Buildings	30
Furniture and fixtures	5-10
Motor vehicles	7-10
Office equipment	5-7
IT equipment	5
Emergency Equipment	5-10
Refuse Tankers	5-10
Infrastructure	10-40
· Roads and Stormwater	5-150
· Refuse	20-50
· Electricity	10-100
· Water	10-200
· Sewerage	10-200
· Housing	20-100
Community	15-30
· Buildings	20-100
· Recreational facilities	20-30
· Security	5-10
· Halls	20-30
· Libraries	20-30
· Parks and gardens	15-20
· Other assets	15-30
Other property, plant and equipment	4-20
· Building	20-100
· Specialist vehicles	10-35
· Other vehicles	5-30
· Office furniture	3-15
· Furniture and fittings	5-20
· Watercraft	15-30
· Bins and containers	5-15
· Specialised plant and equipment	5-35

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Financial Statements for the term ending 30 June 2014

Accounting Policies

· Other plant and equipment	2-25
· Landfill sites	20-100
· Quarries	20-100
· Emergency equipment	5-25
· Computer equipment	3-15

Impairment of property, plant and equipment

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.5 Heritage assets

A heritage asset is defined as an asset that has cultural, environmental, historical, natural, scientific, technological or artistic significance, and are held and preserved indefinitely for the benefit of present and future generations.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Heritage assets are not depreciated, as their long economic life and high residual value mean that any depreciation would be immaterial.

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

1.6 Site restoration and dismantling cost

Where 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'. These costs include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located and the obligation for which 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. The costs are capitalised to the cost of the relevant assets.

1.7 Financial instruments

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Accounting Policies

Classification

The Financial instruments are recognised when the municipality becomes a party to the contractual provisions of the instrument and are initially measured at fair value plus, in the case of a financial asset or liability, not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability:

The municipality classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Financial instruments designated as at fair value through surplus or deficit

All financial instruments are initially measured at fair value. The financial instruments are subsequently recognised at fair value through profit and loss

Trade and other receivables

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Accounting Policies

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the amount expected to be recovered in future. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit. Interest is charged on overdue amounts.

Amounts receivable within 12 months from the date of reporting are classified as current.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the Municipality. Liabilities for goods and services rendered to the municipality before yearend are accrued based on management's estimate if the invoice or statement have not been issued.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments that are readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months and are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets, loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

Bank overdraft and borrowings

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Accounting Policies

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

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Accounting Policies

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the municipality has transferred substantially all risks and rewards of ownership, or when the municipality loses control of contractual rights that comprise the assets.

Financial liabilities

A financial liability is derecognised when the obligation under the contract is discharged, cancelled or expires.

1.8 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

Finance leases - municipality 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

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

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.

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

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

Operating leases - municipality as lessor

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

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

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

Operating leases -municipality as lessee

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Financial Statements for the term ending 30 June 2014

Accounting Policies

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.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

1.9 Inventories

Inventories consist of raw materials, work in progress, consumables finished goods and unsold properties. Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are 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.

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. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Cost is generally determined using the first-in-first-out principle except where stated otherwise.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to Valuation roll values as at the date of initial recognition or total cost of servicing the land. Net realisable values are based on the latest valuation roll values less estimated cost to sell.

1.10 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when 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.

Greater Tubatse Local Municipality

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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.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

Greater Tubatse Local Municipality

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Accounting Policies

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.

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 entity estimates the recoverable amount of that asset.

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

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

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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.

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1.12 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

Defined contribution plans

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The municipality contributes to various national-and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national-or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined benefit plans

The cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised in full in the year they are incurred.

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Accounting Policies

The municipality provides certain post- retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of all of the medical aid funds with which the municipality is associated, a member is entitled to remain a continued member of the medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These medical aid funds are classified as defined benefit plans.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service cost includes the expense for benefits received by the employee currently in service and the cost of funding the employee when no longer in service. The expense for the year is included in the employee benefits expense in the statement of financial performance.

Where some of the employees are not members of any qualifying medical aid scheme as at reporting date, the municipality accrues 50% of such potential liability. This management estimate is meant to cater for employees who are likely to join the qualifying medical schemes in future but before retirement.

Other long-term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The cost for each employee is computed at each reporting date based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. On determining this liability due allowance is made for future salary increases. Actuarial gains and losses are recognised in full in the year they are incurred.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

The current service cost is recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The current service cost includes the expense for benefits received by the employee currently in service. The expense for the year is included in the employee benefits expense in the statement of financial performance.

Where some of the employees have already reached the prescribed milestones but payments for the equivalent leave days accrued has not been made by year- end, the amount is recognised as accruals.

1.13 Provisions and contingencies

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Accounting Policies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

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.

Provisions are not recognised for future operating deficits.

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

Site Restoration, Onerous contracts, Reimbursments, Restructuring, Long Service Award

Site Restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of landfill sites is recognised when the land is contaminated. The related expense is capitalised against the cost of the landfill sites.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the municipality from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

Reimbursements

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 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.

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Accounting Policies

Restructuring

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced as publicly.

Long Service Award

In terms of the Collective Bargaining Agreement, employees who achieve a certain predetermined milestone of service within the municipality are entitled to leave days or cash equivalent. A provision is made at the end of each balance sheet date based on the estimated number of employees who are likely to achieve the milestones in the future. The provision is discounted using a reasonable discounting rate.

1.14 Revenue

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

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

Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

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 services potential associated with the transaction will flow to the municipality; and ;

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Accounting Policies

- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Service Charges

Service charges relating to distribution of water are based on consumption. Meters are read on a regular basis consumption is recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue

Interest, royalties and dividends

Interest earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

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

Dividends

Dividends are recognised on the date that the municipality's right to receive the dividend has been established.

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreements.

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Accounting Policies

Other

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

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

Rates and Taxes

Assessment Rates and fixed property valuations are conducted in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004.

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Greater Tubatse Local Municipality

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Accounting Policies

The charges are based on the approved value of the land and buildings multiplied by the approved tariff (cents in the rand) Assessment Rates is levied in July for the entire financial year end and payable by the 30 September, alternatively levied at proportionately 1/12 per month end payable monthly.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised on receipt.

Donations and contributions

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or receivable, which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

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Accounting Policies

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 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.

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.

1.16 Investment income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets through profit or loss and impairment losses recognised on financial assets.

Borrowing costs are recognised in surplus or deficit using the effective interest method.

1.17 Consumer deposits

Greater Tubatse Local Municipality

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Accounting Policies

Consumer deposits are charged when new water and/or electricity accounts are opened except for owner occupied proportions. The amounts vary per type of consumer and are approved by Council as part of the tariff structure.

1.18 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed in the notes to the financial statements.

1.19 Unauthorised expenditure

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

1.20 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 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 policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance and where recovered, it is subsequently accounted for as revenue in the statement of financial performance. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is recovered or written off as irrecoverable.

1.22 Presentation of currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Accounting Policies

1.23 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.24 Budget information

Mafikeng Local Municipality is subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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 has been included in the annual financial statements.

The Statement of comparative and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by GRAP 1.

1.25 Tax

Value Added Tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

- The annual financial statements have been prepared on the assumption that the municipality will continue to operate on a going concern basis for at least the next twelve months.

1.26 Net reserves

Net reserves are a residual interest in the assets of an municipality after deducting all of its liabilities from the total municipal assets.

1.27 Borrowing costs

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Accounting Policies

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

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

1.28 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.29 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

2. Investment Property

	2014			2013		
	Cost/ Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost/ Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Investment Property	120,255,400	-	120,255,400	116,114,800	-	116,114,800.0

Reconciliation of Investment Property - 2014

	Opening Balance	Fair Value Adjustments	Total
Investment Property	116,114,800	4,140,600	120,255,400

Reconciliation of Investment Property - 2013

	Opening Balance	Fair Value Adjustments	Total
Investment Property	101,056,100	15,058,700	116,114,800

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.

Details of valuation

The effective date of the revaluations was 30 June 2013. Revaluations were performed by an independent valuer, Mr A Zeybrand of Zeybrand valuers are not connected to the municipality and have recent experience in location and category of the investment property

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2013

Notes of the Financial Statements (Figures in Rand)

3. Property, Plant and Equipment

	2014			2013		
	Cost/ Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost/ Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Land	54,945,294	-	54,945,294	54,945,294	-	54,945,294
Buildings	-	-	-	-	-	-
Plant and Machinery	123,150	(51,606)	71,543	109,750	(2,752)	106,998
Furniture and Fixtures	4,688,373	(2,263,138)	2,425,235	4,687,501	(1,771,385)	2,916,116
Motor Vehicles	16,174,015	(15,883,792)	290,223	16,174,015	(12,657,853)	3,516,162
Office Equipment	722,365	(295,041)	427,324	722,365	(78,401)	643,964
IT Equipment	4,134,562	(1,367,219)	2,767,342	4,115,923	(569,096)	3,546,827
Infrastructure	1,625,484,521	(294,363,372)	1,331,121,149	1,570,997,998	(240,459,459)	1,330,538,539
Community Buildings	27,544,312	(3,026,349)	24,517,962	27,544,312	(1,926,964)	25,617,347
Park Facilities	-	-	-	-	-	-
Other	1,276,679	(33,976)	1,242,703	1,239,144	(2,272)	1,236,872
Capital Works in Progress	31,280,728	-	31,280,728	28,566,577	-	28,566,577
Total Assets	1,766,373,999	(317,284,495)	1,449,089,504	1,709,102,879	(257,468,183)	1,451,634,697

Property, Plant and Equipment Reconciliation - 2014

	Opening Balance	Additions	Transfers	Depreciation	Total
Land	54,945,294			-	54,945,294
Buildings	-			-	-
Plant and Machinery	106,998	13,400		(48,855)	71,543
Furniture and Fixtures	2,916,116	872		(491,753)	2,425,235
Motor Vehicles	3,516,162			(3,225,939)	290,223
Office Equipment	643,964	-		(216,640)	427,324
IT Equipment	3,546,827	18,638		(798,123)	2,767,342
Infrastructure	1,330,538,539	54,486,524		(53,903,913)	1,331,121,149
Community Buildings	25,617,347	-		(1,099,385)	24,517,962
Park Facilities	-			-	-
Other	1,236,872	37,535		(25,986)	1,248,422
Capital Works in Progress	28,566,577	-		-	31,280,728
Total Assets	1,451,634,697	54,556,969	-	-59,810,593	1,449,095,223

4 Intangible Assets

	2014			2013		
	Cost/ Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost/ Valuation	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Computer	99,500	(35,438)	64,062	99,500	(2,000)	101,500
Servitudes	-	-	-	-	-	-
	99,500	(35,438)	64,062	99,500	(2,000)	101,500

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

3. Property, Plant and Equipment (continue)

Property, Plant and Equipment Reconciliation - 2013

	Opening Balance	Additions	Transfers/Res tatement Adjustments	Depreciation	Total
Land	16,548,000	-	38,397,294	-	54,945,294
Buildings	20,776,065		(18,181,278)	(2,594,787)	-0
Plant and Machinery	4,883,978	5,717,568	(9,883,727)	(610,821)	106,998
Furniture and Fixtures	3,461,591	2,160	(228,170)	(319,465)	2,916,116
Motor Vehicles	3,623,966	-	1,010,035	(1,117,840)	3,516,161
Office Equipment	8,383,246		(4,748,338)	(2,990,944)	643,964
IT Equipment	10,353,463	1	(3,930,823)	(2,875,813)	3,546,828
Infrastructure	629,456,657	12,946,571	710,554,783	(22,419,473)	1,330,538,538
Community Buildings	8,514,339	-	17,492,157	(389,148)	25,617,348
Park Facilities	18,332,843	-	(17,654,118)	(678,725)	-0
Other assets			1,236,872	-	1,236,872
Capital Works in Progress	-	28,566,577		-	28,566,577
Total Assets	724,334,148	47,232,877	714,064,688	(33,997,016)	1,451,634,697

Pledged as security

Leased vehicles as self-secured in that they are used as security for the loans which were taken to fund them. Carrying value of assets has been pledged as security.

Motor Vehicles

3,623,966 **3,623,966**

The terms of the agreement are such that the lessor would retain ownership of the vehicles until the loan is fully repaid. More details of the loan are disclosed under finance leases.

The municipality's obligations under finance leases are secured by the lessor's change over the leased assets. Refer note 14.

Assets subject to finance lease (Net carrying amount)

3,516,161 **3,516,161**

Motor Vehicles

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
6. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(20,149,000)	(15,121,000)
Net actuarial gains or losses not recognised	3,068,000	(1,393,000)
Past service cost not recognised	(2,742,000)	(3,654,000)
Interest cost	(1,460,000)	19,000
Other	19,000	
Net liability	(21,264,000)	(20,149,000)
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	20,149,000	15,121,000
Net expense recognised in the statement of financial performance	1,115,000	5,028,000
Closing balance	21,264,000	20,149,000
Net expense recognised in the statement of financial performance		
Opening Balance	20,149,000	15,121,000
Benefits Paid	-	-
Net Expense recognized in the Statement of Financial Performance	1,115,000	5,028,000
Closing Balance	21,264,000	20,149,000
Net Expense recognized in the Statement of Financial Performance		
Current Service Cost	2,742,000	3,654,000
Interest Cost	1,460,000	1,393,000
Curtailment or settlement	(19,000)	(19,000)
Total Included in Employee Related Costs	4,183,000	5,028,000
Calculation of Actuarial gains and losses		
Actuarial (gains) losses – Obligation	(3,068,000)	1,393,000
Total	(3,068,000)	1,393,000

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
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6. Employee Benefit Obligations (continue)

Key Assumptions Used

Assumptions used at the reporting date:

Discount rates used	7.25%	7.25%
Medical cost trend rates	6.75%	6.75%
Expected increase in salaries - inflation rate	6.25%	6.25%
Normal retirement age	63	63
Expected increase in healthcare costs	6.75%	6.75%
Fully accrued age	60	63

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	5,967,000	3,739,000
Effect on defined benefit obligation	5,428,000	4,138,000

Amounts for the current and previous four years are as follows:

	Defined benefit obligation
2014	21,264,000
2013	20,149,000
2012	15,121,000
2011	12,189,000
2010	-

7. Defined contribution plan

It is the policy of the municipality to provide retirement benefits to its employees as per employee defined benefits on their specific relevant contracts.

The municipality is under no known obligation to cover any unfunded benefits

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
8. Inventories		
Inventories		-
Total	-	-
Inventory Pledged as Security		
There were no security pledges made against inventory during the current and prior financial period.		
9. Other Receivables from Non-Exchange Transactions		
Fines	-	693,926
Creditors balances in debit	3,107,301	3,354,409
Net Balance	3,107,301	4,048,335
10. Receivables from Exchange Transactions		
Trade Debtors	616,465	612,014
WSP Sekhukhune Distric Municipality	820,891	5,324,337
Net Balance	1,437,356	5,936,352

The debt is greater than 90 days

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
11. Consumer Debtors		
Gross Balances per Service		
Rates	71,450,724	49,823,141
Refuse	13,131,003	12,442,857
Other (specify)	27,435,525	14,088,095
Total	112,017,253	76,354,093
Less: Provision for debts impairment		
Rates	20,456,957	20,456,956
Refuse	7,672,708	7,672,708
Other (specify)	11,197,283	10,324,576
Total	39,326,948	38,454,240
Net Balances per Service		
Rates	50,993,768	29,366,185
Refuse	5,458,295	4,770,149
Other (specify)	16,238,242	3,763,519
Total	72,690,305	37,899,853
The ageing of debt not impaired per service:		
Rates		
Current (0 - 30 days)	4,642,161	10,392,655
31 - 60 days	2,627,620	2,644,095
61 - 90 days	1,877,617	1,575,999
91 - total days	66,801,853	14,753,436
	75,949,252	29,366,185
Refuse		
Current (0 - 30 days)	761,485	788,148
31 - 60 days	515,414	556,816
61 - 90 days	731,869	442,018
91 - total days	13,259,841	2,983,166
	15,268,608	4,770,148
Other (specify)		
Current (0 -30 days)	100,004	528,589
31 - 60 days	75,089	279,630
61 - 90 days	1,294,200	84,400
91 - 120 days	5,798,724	-
	7,268,018	892,619
Reconciliation of debt impairment provision		
Balance at beginning of the year	(38,454,240)	(11,676,393)
Contributions to allowance	(1,800,000)	(28,282,842)
Debt impairment written off against allowance	927,292	1,504,995
Reversal of allowance	-	-
Balance at end of the period	(39,326,948)	(38,454,240)

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
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12. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	3,999	4,000
Bank balances	108,634,896	86,281,631
	108,638,895	86,285,631

The municipality had the following bank accounts:

Account number / description	Bank Statement Balances			Cash Book Balances		
	28-Jun-14	30-Jun-13	30-Jun-12	28-Jun-14	30-Jun-13	30-Jun-12
1 FNB BANK - CALL ACCOUNT - 620-623-0699	35,112	34 854	34,854	35,112	34,854	34 491
2 FNB BANK - CHEQUE ACCOUNT - 565-500-22466	34,571,346	5,081,499	8,121,661	19,310,478	825,104	2,101,726
3 FNB BANK - BUSINESS MONEY MARKE - 621-714-33982	179,515	173,311	167,425	179,515	173,311	167,425
4 FNB BANK - CALL ACCOUNT - 620-275-10818	33,947,234	32,746,953	2,278,132	33,947,234	32,746,953	2,278,132
5 FNB BANK - CALL ACCOUNT - 616-550-0887	72,409	71,715	70,789	72,409	71,715	70,789
6 NEDBANK - 90DAYS NOTICE - 788-109-6004	55,090,147	52,315,173	40,114,521	55,090,148	52,429,694	40,114,521
7 FNB BANK - CHEQUE ACCOUNT - 620-9737-4319	-	11,944	11,944	-	-	-
	123,895,763	90,400,595	50,799,326	108,634,896	86,281,631	44,732,593

13. Other Interest Bearing Liabilities

At amortised cost

DBSA Loans 102904/1&2

Terms and conditions

12,873,882 14,226,514

DBSA Loan 13585/102

Terms and conditions

1,341,503 1,842,881

DBSA LOAN 102904/1&2 - Short term portion

Terms and conditions

852,632 825,090

DBSA Loans 13585/102 -Short term portion

Terms and conditions

231,922 214,656

Total other financial liabilities

15,299,940 17,109,141

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
13. Other Interest Bearing Liabilities (continue)		
Non-current liabilities at amortised cost		
DBSA (61000751)/(61000752)	12,873,882	14,226,514
DBSA (61003227)	1,341,503	1,842,881
	14,215,385	16,069,395
Current liabilities at amortised cost		
DBSA (61000751)/(61000752)	852,632	825,090
DBSA (61003227)	231,922	214,656
	1,084,555	1,039,746
Total other financial liabilities	15,299,940	17,109,141
DBSA LOAN 102904/1 /(61000751)		
Interest rate: 10.415%		
Loan period:: 20 years		
DBSA LOAN 102904/2 /(61000752)		
Interest rate: 5%		
Loan period : 20 years		
DBSA LOAN 12713/102		
Interest rate: 0%		
Loan period : 20 years		
DBSA LOAN 13585/102 /(61003227)		
Interest rate: 16.2%		
Loan period : 20 years		
Non-current liabilities		
At amortised cost	14,215,385	16,069,395
Current liabilities		
At amortised cost	1,084,555	1,039,746
14. Finance lease obligation		
Minimum lease payments due		
Within one year	15,475,669	15,990,875
In second to fifth year inclusive	74,787,541	66,679,536
Later than five years	21,787,437	41,594,197
	112,050,647	124,264,608
Less: Future Finance Charges	80,555,379	92,767,060
Present value of minimum lease payments	31,495,269	31,497,548
Present value of minimum lease payments due		
Within one year	2,457,375	3,779,193
In second to fifth year inclusive	16,310,938	9,683,996
Later than five years	12,726,956	18,034,359
	31,495,269	31,497,548

It is municipality policy to lease certain [property] motor vehicles and equipment under finance leases.

The average lease term was 3-10 years and the average effective borrowing rate was 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 municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
15. Unspent Conditional Grants and Receipts		
Unspent Conditional Grants and Receipts comprises of:		
Municipal Infrastructure Grant (MIG)	-	14,520,078
Finance Management Grant (FMG)	-	9,174
Intergrated national electrification programme grant	-	-
Municipal System Improvement Grant (MSIG)	-	-
Neighborhood Development Programme Grant	3,515,567	
	3,515,567	14,529,252
Movement during the year		
Balance at the beginning of the year	14,529,252	549,147
Additions during the year	11,013,685	13,980,105
	3,515,567	14,529,252

See note 23 for reconciliation of grants from National/ Provincial Government

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

16. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Interest Cost	Utilised during the current	Acturial (gains) losses	Actual benefit payments	Total
Environmental Rehabilitation - Landfill Site	1,174,325	-	-	-	-	-	1,174,325
Provision for Performance Bonus	678,536	-	-	-	-	-	678,536
Long Service Leave Provision	4,708,000	971,000	-	-	(523,000)	(237,000)	4,919,000
	6,560,861	971,000	-	-	(523,000)	(237,000)	6,771,861

Reconciliation of provisions - 2013

	Opening Balance	Additions	Interest Cost	Utilised during the year	Acturial (gains) losses	Actual benefit payments	Total
Environmental Rehabilitation - Landfill Site	1,174,325	-	-	-	-	-	1,174,325
Provision for Performance Bonus	777,422	-	-	(98,886)	-	-	678,536
Long Service Leave Provision	4,188,000	520,000	-	-	-	-	4,708,000
	6,139,747	520,000	-	(98,886)	-	-	6,560,861

	2014	2013
Non-current liabilities	6,093,325	5,882,325
Current liabilities	678,536	678,536
	6,771,861	6,560,861

Employee benefit cost provision

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
17. Trade and other payables		
Trade payables	21,260,976	9,808,649
Payments in Advance	1,058,729	1,058,729
Employee costs	-	-
Staff leave	4,881,906	5,080,623
Retention Creditors	3,470,911	5,048,378
Other	8,222,803	-
	38,895,325	20,996,379
18. VAT payable		
Tax payables	2,852,918	3,958,123
19. Consumer deposits		
Water	1,192,319	1,143,396
	1,192,319	1,143,396

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
20. Revenue		
Property rates	70,009,714	60,820,920
Service charges	7,984,926	8,886,773
Rental of facilities & equipment	557,171	526,064
Interest received	9,959,209	7,408,233
Fines	185,948	417,376
Government grant & subsidies	211,942,000	178,342,046
Other income	12,571,375	13,326,516
	313,210,343	269,727,928

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

Service charges	7,984,926	8,886,773
Rental of facilities & equipment	557,171	526,064
Interest received	4,575,986	3,437,512
Other income	12,571,375	13,326,516
	25,689,458	26,176,865

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

Taxation revenue

Property rates	70,009,714	60,820,920
Interest received	5,383,223	3,970,721

Transfer revenue

Grant and Subsidies	211,942,000	178,342,046
Fines	185,948	417,376
	287,520,885	243,551,063

Interest revenue

Interest on current and general	927,636	652,483.00
Interest on investment	2,774,974	3,318,238
Interest on Assessment rate (Late payment)	5,383,223	2,908,594
Interest on outstanding debtors	873,376	528,918
	9,959,209	7,408,233

21 Property rates

Residential	70,169,502	60,966,396
Less: Income forgone	(159,788)	(145,476)
	70,009,714	60,820,920

Valuations

Residential	2,045,897,000	2,045,897,000
Commercial	1,135,312,000	1,135,312,000
State	940,451,000	940,451,000
Municipal	87,739,600	87,739,600
Small holdings and farms	1,079,516,000	1,079,516,000
Schools	22,600,000	22,600,000
Mines	460,400,000	460,400,000
Churches	23,735,000	23,735,000
	5,795,650,600	5,795,650,600

Valuations on land and buildings are performed every four years. The latest general valuation came into effect on 1 July 2011. Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate is applied to property valuations to determine assessment rates. Rebates of 30% are granted to residential and state property owners.

Rates are levied on an annual basis and paid on monthly basis with the final date for payment being 30 June 2013 (). Interest at prime plus 1% per annum and a collection fee of is levied on rates outstanding two months after due date.

The new general valuation was implemented on 01 July 2011.

22 Service charges

Refuse removal	7,984,926	8,886,773
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Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
23. Government grants and subsidies		
Operating Grant		
Equitable share	139,644,000	122,245,000
Council Remuneration Grant	8,464,000	7,551,000
Finance Management Grant (FMG)	1,550,000	1,500,000
MIG PMU-Adm	2,136,360	2,202,400
Municipal Systems Improvement Grant (MSIG)	890,000	800,000
EPWP	1,000,000	-
	153,684,360	134,298,400
Capital Grant		
Intergrated National Electrification Progamme Grant	14,215,000	15,739,973
Municipal Infrastructure Grant (MIG)	38,514,640	29,527,922
Neighbourhood Development Grant	5,528,000	-
	58,257,640	45,267,895

Equitable Share

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

All registered indigent consumers receive a subsidy of 6 kilolitres of water per month which is funded from the grant.

Municipal Infrastructure Grant (MIG)

Balance of Unspent Grant at beginning of year	14,520,078	44,048,000
Current year receipts	40,651,000	29,527,922
Conditions met - grant amount transferred to revenue	55,174,695	-
Conditions met - VAT	-	-
	-3,617	14,520,078

Conditions still to be met remain liabilities (see not 15)

The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant & equipment whilst the unspent portion of the grant is included in current liabilities (see note 15).

No grant was withheld during the current period.

INEPT Grant

Balance of Unspent Grant at beginning of year	-	539,973
Current year receipts	14,215,000	15,200,000
Conditions met - grant amount transferred to revenue	14,215,000	15,739,973
Conditions met - VAT	-	-
	-	-

Conditions still to be met remain liabilities (see not 15)

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
23. Government grants and subsidies (continued)		
Finance Management Grant (FMG)		
Balance of Unspent Grant at beginning of year	9,174	9,174
Current year receipts	1,550,000	-1,500,000
Conditions met - grant amount transferred to revenue	1,559,174	1,500,000
	-	9,174
Conditions met - grant amount transferred to revenue		
The grant is mainly used for promoting and supporting reforms in financial management by building capacity in the municipality to implement the MFMA and progressive financial reporting.		
Portion of grant which conditions still to be met are included in current liabilities.		
No grant was withheld during the current period.		
Municipal System Improvement Grant (MSIG)		
Balance of Unspent Grant at beginning of year	-	-
Current year receipts	890,000	800,000
Conditions met - grant amount transferred to revenue	890,000	800,000
	-	-
Conditions still to be met remain liabilities (see not 15)		
The grant is meant to assist the municipality in the improvement of governance system related transactions.		
NDPG		
Balance of Unspent Grant at beginning of year	-	-
Current year receipts	5,528,000	-
Conditions met - grant amount transferred to revenue	2,012,433	-
	3,515,567	-
Conditions still to be met remain liabilities (see not 15)		
EPWP		
Balance of Unspent Grant at beginning of year	-	-
Current year receipts	-	1,000,000
Conditions met - grant amount transferred to revenue	1,000,000	1,000,000
	-1,000,000	-
24 Other revenue		
Fines	185,948	417,376
Other income	12,571,375	12,909,140
	12,757,322	13,326,516

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
25. General Expenses		
Advertising	629,133	422,204
Auditors fees	2,404,365	1,949,859
Bank charges	-893,287	308,146
Consulting and professional fees	14,083,476	3,593,897
Consumables	111,056	111,736
Donations Electrification Projects	-	3,511,500
Entertainment	346,714	306,102
Fines and penalties	14,459	2,733
Insurance	396,241	344,488
IT expenses	691,861	763,060
Finance lease	-	1,523,301
Promotions and sponsorships	1,214,771	200,030
Magazines, books and periodicals	54,467	44,931
Fuel and oil	970,702	884,200
Printing and stationery	909,138	769,887
Protective clothing	381,204	296,178
Royalties and license fees	50,102	43,389
Staff welfare	719,777	522,471
Subscriptions and membership fees	710,753	526,991
Telephone and fax	1,361,271	1,171,618
Training	1,132,816	934,594
Travel - local	5,315,461	4,169,348
Refuse	1,360	19,343
Special programs	1,581,291	1,554,754
Ward committee	3,483,000	3,657,779
Other expenses	5,263,776	3,639,225
	40,933,905	31,271,764

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
27. Personnel Expenses		
Basic Salary	54,719,658	50,488,549
Bonus	4,122,590	3,694,678
Medical Aid - Company contributions	3,874,669	3,213,279
UIF	396,212	367,062
SDL	717,882	661,785
Pensioner Fund	10,476,561	9,719,767
Other payroll levies	20,085	615,783
Post-employment benefits - Pension - Defined contribution plan		9,719,769
Overtime payments	1,987,584	1,601,388
Long-service bonus provision	-	921,000
13th Cheques	-	3,582,925
Car allowance	8,922,834	8,484,436
Housing benefits and allowances	388,142	350,852
Telephone allowance	770,013	617,187
Other allowance	16,720	12,860
Standby allowance	-	1,246,000
Post Employment Health Care Benefit Current Cost	-	2,389,000
	86,412,950	97,686,320
Remuneration of Municipal Manager		
Annual Remuneration	985,541	1,011,628
Car Allowance	132,000	144,780
Telephone Allowance	17,809	-
Acting Allowance	-	37,537
Contribution to UIF, Medical and Pensioner Fund	-	13,141
Other Allowance	-	35,659
	1,135,350	1,242,745
Remuneration of Acting Chief Financial Officer		
Annual Remuneration	-	453,401
Car Allowance	32,225	55,996
Telephone Allowance	-	-
Acting Allowance	304,863	86,984
Contribution to UIF, Medical and Pensioner Fund	-	3,818
Other Allowance	2,682	-
Bonus	-	111,754
	339,771	711,953
Remuneration of Corporate Services		
Annual Remuneration	801,341	770,901
Car Allowance	170,550	171,474
Telephone Allowance	37,428	-
Contribution to UIF, Medical and Pensioner Fund	-	10,481
Other Allowance	-	-
	1,009,319	952,856
Remuneration of Community Services		
Annual Remuneration	845,891	778,061
Car Allowance	100,160	96,520
Telephone Allowance	43,428	-
Housing Allowance	24,000	-
Contribution to UIF, Medical and Pensioner Fund	-	10,657
Other Allowance	-	78,591
	1,013,479	963,829
Remuneration of Director Technical Services		
Annual Remuneration	711,558	431,391
Car Allowance	321,976	155,747
Telephone Allowance	-	-
Contribution to UIF, Medical and Pensioner Fund	-	6,902
Bonus	59,028	-
Other Allowance	12,268	62,185
	1,104,831	656,225

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
28. Remuneration of councillors		
Mayor	727,009	690,159
Executive Members	4,125,471	3,808,943
Speaker	626,357	603,408
Councillors	11,684,767	12,257,510
Chief Whip	625,577	586,692
	17,789,181	17,946,712

In-kind benefits

The Executive Mayor, Speaker, Single Whip of Council and Mayoral Committee Members are full-time and are provided with office space at the cost of the council. In addition, all councillors are paid travelling allowances for trips outside GTM. The Executive Mayor, Speaker and Single Whip of Council are also provided with secretarial support at the cost of the Council.

The Executive Mayor has been provided with Council owned vehicle for the use on official duties.

Remuneration of mayor

Salary	527,851	522,587
Car allowance	175,950	167,572
Telephone Allowance	20,868	-
Reimbursive allowances	2,340	-
Subsistence Allowance	-	-
	727,009	690,159

The remuneration of councillors including the Mayor has been disclosed in the financial statements for the first time this year. Comparative figures are not available for disclosure purposes as the system does not provide the required information.

Remuneration of speaker

Remuneration of councillors

Salary	422,280	422,044
Car Allowance	140,760	134,057
Telephone Allowance	20,868	-
Reimbursive allowances	40,369	47,307
Subsistence Allowance	2,080	-
	626,357	603,408

Remuneration of chief whip

Mafikeng Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
33. Auditors' expenses		
Auditors' Fees	2,310,586.96	1,880,617
Consulting	-	3,766
Audit Committee	93,778	69,242
	<u>2,404,365</u>	<u>1,953,625</u>
34. Rental of facilities and equipment		
Rental of facilities and equipment	-	<u>526 064</u>
35. Contracted Services		
Cash collection cost	312,295	191,778
Professional services	1,701,061	807,191
Security banking services	-	-
Security Services	11,391,634	9,490,368
	<u>13,404,989</u>	<u>10,489,337</u>
36 Grants and subsidies paid		
Other subsidies		
Grant in Aid & Burial	148,255	56,962
Indigents Subsidies	66,458	48,014
Free Basic Electricity	3,483,987	3,511,500
	<u>3,698,699</u>	<u>3,616,476</u>
37. Cash generated from operations		
Surplus (deficit)	47,624,556	44,983,899
Adjustment for:		
Depreciation and amortisation	59,810,593	33,997,016
Gain on sale of assets and liabilities	-	992,000
Fair value adjustments	(4,140,600)	(15,058,700)
Finance costs - Finance leases	(20,065,535)	118,153
Debt impairment	1,800,000	28,282,842
Movements in retirement benefit assets and liabilities	1,115,000	5,028,000
Movements in provisions	211,000	1,595,439
Changes in working capital:		
Inventories	-	53,497
Receivables from exchange transactions	603,581	5,871,940
Other receivables from non-exchange transactions	941,034	-6,955,270
Consumer debtors	-13,162,869	-17,076,417
Payables from exchange transactions	17,898,946	2,953,352
VAT	-1,105,205	132,214
Unspent conditional grant and receipts	-11,013,685	13,980,105
Consumer deposits	48,923	135,196
	<u>80,565,739</u>	<u>99,033,266</u>
38 Commitments		
Authorized capital expenditure		
Approved and contracted for:		
Parking Shades	-	-
IT Infrastructure	-	-
Sportsground & Facilities	-	-
Rural Cemeteries	-	-
Electrification of villages	2,481,897	-
Municipal infrastructure	-	14,520,078
Other financial assets	-	9,174
	<u>2,481,897</u>	<u>14,529,252</u>
Not yet contracted for but authorized:		

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
38. Contingencies Liabilities		
The following are the cases lodge with in court with status		
Mopicon vs GTM	1,100,000	2,000,000
Limpopo Binders vs GTM	-	700,000
Amelia Mashego vs GTM	-	1,000,000
Kgoetste Justice vs GTM	-	125,000,000
Malicious proceedings	-	100,000
Matladi Family Trust vs GTM and Developers	540,000	-
Loncon Developments (Pty) Ltd vs GTM	1,650,000	-
Makonko Daniel Madisha & another vs GTM	65,000	-
Thushanang Construction vs GTM	56,000	-
Munsoft (Pty)Ltd vs GTM	251,000	-
	3,662,000	128,800,000

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
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39. Related parties

During the year, there were no related parties transactions. The municipality has various processes in place to identify and note any related party transactions. These processes range from disclosure by bidders on the bid documents (MB4) to maintenance of a conflict of interest register. For councillors, the disclosure register is kept in the Office of the Speaker whilst for other senior managers it is kept by the Corporate Services Directorate.

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
41 Going Concern		
The annual financial statement has been prepared on a going concern basis.		
42. Unauthorized expenditure		
Opening Balance	77,687,230	-
Current Year Expenditure -On Cash Votes	-	58,811,831
Current Year Expenditure: On Non Cash Votes	-	18,875,399
Less Amount Condoned	-	-
Closing Balance	77,687,230	77,687,230
Measures are in place to seek council approval for the condonement of prior year unauthorised expenditure.		
43. Fruitless and wasteful expenditure		
Opening balance	77,319	29,084
Add: Fruitless and Wasteful Expenditure- current year:	240,804	48,235
Less: Amounts condoned	-	-
Closing Balance	318,123	77,319
Include particulars of any criminal or disciplinary steps taken as a consequence of above expenditure		
44. Irregular expenditure		
Opening balance	7,607,725	7,607,725
Add: Irregular Expenditure - current year	-	-
Less: Amounts condoned	-	-
Closing Balance	7,607,725	7,607,725

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
45 Audit Fees		
Opening balance	1,880,617	1,880,617
Current year fee	-	-
Amount paid - current year	2,310,587	
	-429,970	1,880,617
46 PAYE and UIF		
Opening balance	-	-
Current year costs	16,921,191	14,873,820
Amount paid - current year	16,921,191	14,873,820
	-	-
47 Pension and Medical Aid Contributions		
Opening balance	-	-
Current year costs	24,740,964	22,252,880
Amount paid - current year	24,740,964	22,252,880
	-	-
48 VAT		
VAT payable	2,852,918	4,297,585
	-	-
The municipality is registered for VAT on a cash basis. As such VAT is claimed or paid on receipt of payment or settlement of the transaction, respectively.		
All VAT returns have been submitted by the due date throughout the year.		
49 Repair & Maintenance		
R & M Building	184,551	-
R & M Machinery & Equipment	3,558,540	344,259.42
R & M Furniture and Equipment	23,893	95,830.09
R & M OF IT	546,326	-
R & M Street lights and robots	1,972,043	1,775,820.23
Vehicle and Machinery	511,587	-
	6,796,939	2,215,910
50 Inter-Departmental Charges		
Assessment Rates	17,725	16,650
Electricity	2,090,419	287
Refuse Removal	12,800,289	11,973,487
Sewer	-	2,635
Water	-	5,055
	14,908,433	11,990,424

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
51 Additional disclosure in terms of Municipal Finance Management Act (continued)		
Councillors' arrear consumer accounts		
Clr IM NKOSI	19,401.93	-
	-	-

Greater Tubatse Local Municipality

Financial Statements for the term ending 30 June 2014

Notes of the Financial Statements (Figures in Rand)

	2014	2013
53 Money Market Investments		
FNB BANK - CALL ACCOUNT -620-623-0699	35,112	34,854
FNB BANK - BUSINESS -621-714-33982	179,515	173,311
FNB BANK - CALL ACCOUNT -620-275-10818	33,947,234	32,746,953
FNB BANK - CALL ACCOUNT -616-550-0887	72,409	71,715
NEDBANK - 90 DAYS NOTICE -788-109-6004	55,090,147	52,315,173
FNB BANK - CHEQUE ACCOINT -620973-4319 (Collateral Security)	-	11,944
	89,324,417	85,353,950