

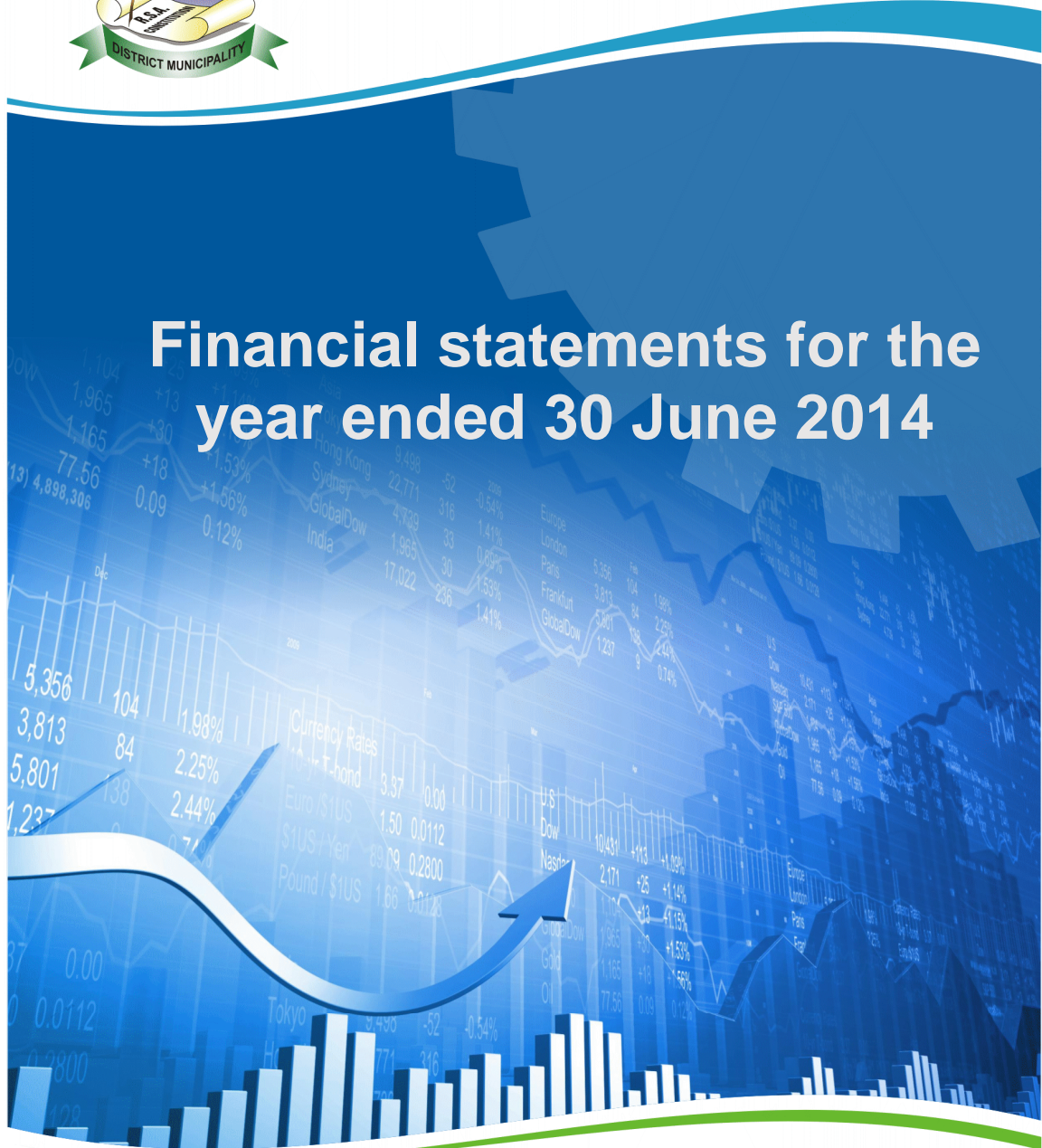
Volume II

Financial Statements



SEDIBENG DISTRICT MUNICIPALITY

Financial statements for the year ended 30 June 2014



Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

General Information

The following is included in the scope of operation	District Municipality – DC42
Grading of local authority	Grade 11 Local Authority
Capacity of Municipality	Medium term capacity Municipality
Municipal Manager	Yunus Chamda
Chief Finance Officer (CFO)	Mr Brendon Scholtz
Registered office	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
Business address	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
Postal address	PO Box 471 Vereeniging 1930
Bankers	ABSA Bank Limited
Auditors	Auditor General South Africa
Executive Mayor	Councilor MS Mofokeng
Speaker	Councilor BJ Modisakeng
Chief Whip	Councilor MC Sale
Members of Mayoral Committee	Councilor PB Tsotetsi Councilor ME Tsokolibane Councilor TS Maphalla Councilor B Mncube Councilor MM Gomba Councilor MD Raikane Councilor YJ Mahommed Councilor SA Mshudulu

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Responsibilities and Approval	3
Accounting Officer's Report	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 10
Accounting Policies	11 - 22
Notes to the Financial Statements	23 - 44
Abbreviations	Abbreviations
DBSA Development Bank of South Africa	DBSA Development Bank of South Africa
GRAP Generally Recognised Accounting Practice	GRAP Generally Recognised Accounting Practice
IAS International Accounting Standards	IAS International Accounting Standards
IMFO Institute of Municipal Finance Officers	IMFO Institute of Municipal Finance Officers
IPSAS International Public Sector Accounting Standards	IPSAS International Public Sector Accounting Standards
MMC Member of the Mayoral Committee	MMC Member of the Mayoral Committee
MFMA Municipal Finance Management Act	MFMA Municipal Finance Management Act
MIG Municipal Infrastructure Grant (Previously CMIP)	MIG Municipal Infrastructure Grant (Previously CMIP)
GAMAP Generally Accepted Municipal Accounting Practice	GAMAP Generally Accepted Municipal Accounting Practice
PPE Property Plant and Equipment	PPE Property Plant and Equipment
SCM Supply Chain Management	SCM Supply Chain Management

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss 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 endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

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

The accounting officer has 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, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on pages 5 to 42, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August, 2014 and were signed on its behalf by:

Mr. Yunus Chamda
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June, 2014.

1. Incorporation

The municipality was incorporated on 1 January 1988 and obtained its certificate to commence business on the same day.

2. Going concern

We draw attention to the fact that at 30 June, 2014, the municipality had accumulated surplus of R 107,334,021 and that the municipality's total assets exceed its liabilities by R 107,334,021.

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

3. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Accounting Officer

:	
Name	Nationality
Mr. Yunus Chamda	RSA

5. Bankers

Council has appointed Standard Bank as the new bankers during the year. While we are currently busy with the transition process ABSA bank was still used as the Primary banker.

6. Auditors

The Auditor General will continue in office for the next financial period.

7. Cost cutting measures

Following the global economic crisis of 2009 and in line with MFMA Circular 48, the executive management of Sedibeng District Municipality had taken the decision to make conscientious efforts to increase revenue and decrease operating expenses by:

Increasing revenue through	Cost containment measures
<ul style="list-style-type: none"> • Optimizing all revenue streams; • Reviewing billing processes; • Rigorously applying credit control; • Tightening internal control measures and SCM processes 	<ul style="list-style-type: none"> • Educating staff to be more conscientious • Better cash management • Claiming discounts from creditors/ suppliers • Institutionalising discussion on under-provision of equitable share • Value-for-money spending and application of economies-of-scale procurement • Closer monitoring of repairs & maintenance will lead to reduction in productivity losses • Reducing & reviewing discretionary spending

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Statement of Financial Position as at 30 June, 2014

Figures in Rand	Note(s)	2014	2013 as restated
Assets			
Current Assets			
Inventories	6	382,653	220,090
Receivables from exchange transactions	7	8,178,596	9,349,885
VAT receivable	8	-	18,016
Construction of assets in progress	5	10,206,208	1,701,721
Cash and cash equivalents	9	14,975,752	6,915,829
		33,743,209	18,205,541
Non-Current Assets			
Property, plant and equipment	2	165,758,848	177,853,078
Intangible assets	3	1,474,430	987,106
		167,233,278	178,840,184
Total Assets		200,976,487	197,840,184
Liabilities			
Current Liabilities			
Finance lease obligation	37	247,199	225,439
Payables from exchange transactions	12	76,538,755	49,136,833
VAT payable	8	900,504	-
Unspent conditional grants and receipts	10	14,667,519	9,824,678
Provisions	11	1,245,029	1,926,700
Total Current Liabilities		93,599,006	61,113,650
Non-Current Liabilities			
Finance lease obligation	37	43,460	290,659
Total Non-Current Liabilities		43,460	290,659
Total Liabilities		93,642,466	61,404,309
Net Assets		107,334,021	135,641,416
Net Assets			
Accumulated surplus		107,334,021	135,641,416

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 as restated
Revenue			
Exchange Revenue			
Sale of goods		3,661,592	1,394,760
Rental of facilities and equipment		8,928,134	7,926,622
Income from agency services		6,553,216	7,246,453
Licences and permits		58,520,058	62,151,875
Other income	16	1,101,699	887,712
Interest received – investment	21	1,607,476	2,115,595
Non-exchange Revenue			
Government grants & subsidies	15	254,076,689	259,626,688
Total revenue		334,448,864	341,349,705
Expenditure			
Personnel	18	(200,806,522)	(203,124,985)
Remuneration of councillors	19	(10,709,156)	(10,284,043)
Depreciation and amortisation	22	(28,018,728)	(26,707,941)
Finance cost		(38,340)	(47,186)
Debt impairment	20	(66,567)	(125,855)
Public participation		(8,450)	(123,529)
Repairs and maintenance		(4,316,120)	(4,813,629)
Contracted services	24	(36,818,234)	(41,698,904)
Grants and subsidies paid	25	(11,145,127)	(5,038,185)
General Expenses	17	(70,401,637)	(62,995,437)
Total expenditure		(362,324,744)	(354,941,010)
Loss on disposal of assets and liabilities		(134,381)	(163,960)
Deficit for the year		(28,014,398)	(13,773,949)
Attributable to:			
Owners of the controlling entity		(28,014,398)	(13,773,949)

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Statement of Changes in Net Assets

Figures in Rand	Note	Accumulated surplus	Total net assets
Opening Balance at 1 July, 2012 previously stated		145,575,494	145,575,494
Adjustments			
Correction of errors	29	1,817,907	1,817,907
Balance at 1 July, 2012 as restated		143,757,587	143,757,587
Changes in net assets			
Adjustment of asset life		6,256,200	6,256,200
Transfer from / (to) reserves		(598,422)	(598,422)
Net income (losses) recognised directly in net assets		5,657,778	5,657,778
Surplus (Deficit) for the year as previously reported		(13,120,598)	(13,120,598)
Correction of errors	29	653,351	653,351
Surplus (Deficit) for the year		(13,773,949)	(13,773,949)
Total recognised income and expenses for the year		(8,116,171)	(8,116,171)
Balance at 1 July, 2013 as restated		135,641,418	135,641,418
Changes in net assets			
Transfer from / (to) reserves		(292,999)	(292,999)
Surplus (Deficit) for the year		(28,014,398)	(28,014,398)
Total recognised income and expenses for the year		(28,307,397)	(28,307,397)
Balance at 30 June, 2014		107,334,021	107,334,021

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Cash Flow Statement

Figures in Rand

	Note(s)	2014	2013 as restated
Cash flows from operating activities			
Receipts			
Grants		260,904,530	256,658,300
Interest income		1,607,476	2,115,595
Other receipts		15,459,827	23,239,285
Licence Receipts		203,482,157	204,498,592
		481,453,990	486,511,772
Payments			
Employee costs		(211,057,771)	(213,016,843)
Suppliers		(125,226,936)	(123,244,164)
Licensing Authority		(119,765,595)	(142,413,835)
		(456,050,302)	(478,674,842)
Net cash flows from operating activities	26	25,403,688	7,836,930
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(16,091,545)	(13,511,488)
Proceeds from sale of property, plant and equipment	2	165,242	81,798
Purchase of other intangible assets	3	(1,153,683)	(452,319)
Net cash flows from investing activities		(17,079,986)	(13,882,009)
Cash flow from Financing activities			
Finance lease payments		(263,779)	468,912
Net increase/(decrease) in cash and cash equivalents		8,059,923	(5,576,167)
Cash and cash equivalents at the beginning of the year		6,915,829	12,491,996
Cash and cash equivalents at the end of the year	9	14,975,752	6,915,829

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
--	-----------------	-------------	--------------	------------------------------------	--

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	2,808,000	(34,805)	2,773,195	3,661,592	888,397
Rental of facilities and equipment	9,103,570	(17,468)	9,086,102	8,928,134	(157,968)
Income from agency services	7,307,390	(835,068)	6,472,322	6,553,216	80,894
Licences and permits	65,854,802	(900,000)	64,954,802	58,520,058	(6,434,744)
Other income - (rollup)	2,781,569	19,370,751	22,152,320	1,101,699	(21,050,621)
Interest received - investment	2,060,000	40,084	2,100,084	1,607,476	(492,608)
Total revenue from exchange transactions	89,915,331	17,623,494	107,538,825	80,372,175	(27,166,650)

Revenue from non-exchange transactions

Taxation revenue

Government grants & subsidies	260,552,000	-	260,552,000	254,076,689	(6,475,311)
Total revenue	350,467,331	17,623,494	368,090,825	334,448,864	(33,641,961)

Expenditure

Personnel	(195,574,243)	(4,732,682)	(200,306,925)	(200,806,522)	(499,597)
Remuneration of councillors	(10,579,993)	(354,455)	(10,934,448)	(10,709,156)	225,292
Depreciation and amortisation	(23,265,556)	(4,523,600)	(27,789,156)	(28,018,728)	(229,572)
Finance cost	-	-	-	(38,340)	(38,340)
Debt impairment	-	(66,600)	(66,600)	(66,567)	33
Public Participation	(160,540)	150,000	(10,540)	(8,450)	2,090
Repairs and maintenance	(4,495,894)	76,372	(4,419,522)	(4,316,120)	103,402
Contracted Services	(39,560,241)	268,786	(39,291,455)	(36,818,234)	2,473,221
Grants and subsidies paid	(16,013,158)	4,868,000	(11,145,158)	(11,145,127)	31
General Expenses	(60,687,929)	(10,231,556)	(70,919,485)	(70,401,637)	517,848
Total expenditure	(350,337,554)	(14,545,735)	(364,883,289)	(362,328,881)	2,554,408

Operating deficit	129,777	3,077,759	3,207,536	(27,880,017)	(31,087,553)
Loss on disposal of assets and liabilities	50,000	20,000	70,000	(134,381)	(204,381)

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	179,777	3,097,759	3,277,536	(28,014,398)	(31,291,934)
--	----------------	------------------	------------------	---------------------	---------------------

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
--	-----------------	-------------	--------------	------------------------------------	--

Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	-	-	-	382,653	382,653
Receivables from exchange transactions	43,990,203	-	43,990,203	8,178,596	(35,811,607)
Construction of assets in progress	-	-	-	10,206,208	10,206,208
Cash and cash equivalents	33,125,000	(19,154,357)	13,970,643	14,975,752	1,005,109
	77,115,203	(19,154,357)	57,960,846	33,743,209	(24,217,637)

Non-Current Assets

Property, plant and equipment	140,406,113	1,786,165	142,192,278	165,758,848	23,566,570
Intangible assets	2,320,000	-	2,320,000	1,474,430	(845,570)
	142,726,113	1,786,165	144,512,278	166,965,441	22,453,163

Total Assets	219,841,316	(17,368,192)	202,473,124	200,976,487	(1,496,637)
---------------------	--------------------	---------------------	--------------------	--------------------	--------------------

Liabilities

Current Liabilities

Finance lease liability	-	-	-	290,659	290,569
Payables from exchange transactions	61,483,000	(20,990,409)	40,492,591	76,538,755	36,046,164
VAT payable	-	-	-	900,504	900,504
Unspent conditional grants and receipts	3,000,000	-	3,000,000	14,667,519	11,667,519
Provisions	2,027,616	-	2,027,616	1,245,029	(782,587)
	66,510,616	(20,990,409)	45,520,207	93,642,466	48,122,259

Total Liabilities	66,510,616	(20,990,409)	45,520,207	93,642,466	48,122,259
--------------------------	-------------------	---------------------	-------------------	-------------------	-------------------

Net Assets	153,330,700	3,622,217	156,952,917	107,334,021	(49,618,896)
-------------------	--------------------	------------------	--------------------	--------------------	---------------------

Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	153,330,700	3,622,217	156,952,917	107,334,021	(49,618,896)
---------------------	-------------	-----------	-------------	-------------	--------------

Accounting Policies

Accounting Policies

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008, including any interpretations and directives issued by the Accounting Standards Board

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Municipal Accounting Practices (SA GAMAP) including any interpretations of such statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 1290 of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

These accounting policies are consistent with those of the previous financial year.

The following GRAP standards have been approved and are effective:

GRAP 1 -	Presentation of financial statements
GRAP 2 -	Cash flow statements
GRAP 3 -	Accounting policies, changes in accounting estimates and errors
GRAP 4 -	The effects of changes in foreign exchange rates
GRAP 5 -	Borrowing costs
GRAP 6 -	Consolidated and separate financial statements
GRAP 7 -	Investments in associates
GRAP 8 -	Interest in joint ventures
GRAP 9 -	Revenue from exchange transactions
GRAP 10 -	Financial reporting in hyperinflationary economies
GRAP 11 -	Construction contracts
GRAP 12 -	Inventories
GRAP 13 -	Leases
GRAP 14 -	Events after the reporting date
GRAP 16 -	Investment property
GRAP 17 -	Property, plant and equipment
GRAP 19 -	Provisions, contingent liabilities and contingent assets
GRAP 21 -	Impairment of non-cash generating assets
GRAP 23 -	Revenue from non-exchange transactions
GRAP 24 -	Presentation of budget information
GRAP 25 -	Employee Benefits
GRAP 26 -	Impairment of cash generating assets
GRAP 31 -	Intangible assets
GRAP 103 -	Heritage assets

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Accounting Policies

GRAP 104 -	Financial instruments
GRAP 100 -	Non-current assets held for sale
GRAP 101 -	Agriculture

The following GRAP statements have been approved but are not yet effective:

GRAP 18 -	Segment reporting
GRAP 105 -	Transfer of functions between entities under common control
GRAP 106 -	Transfer of functions between entities not under common control
GRAP 107 -	Mergers

Offsets

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

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

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

1.3 SIGNIFICANT ESTIMATES, JUDGMENTS AND ASSUMPTIONS

1.3.1 Going Concern

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

1.3.2 Significant Estimates, Judgments and Assumptions

In preparing the annual financial statements to conform with the Standards of GRAP, management is required to make estimates, judgments and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgments and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

Specific areas where these significant estimation uncertainties as well as critical judgments and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following notes:

Note 2 & 3: PPE and Intangible assets useful lives estimates

Note 11: Provisions

Note 28: Contingencies

Note 27: Lease classification

Note 20: Debt Impairment

1.4 GOVERNMENT GRANT

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

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Accounting Policies

1.5 PROPERTY, PLANT & EQUIPMENT

1.5.1 Recognition and Subsequent Measurement

An item of property, plant and equipment which qualifies for recognition as an asset has been initially be measured at cost less subsequent depreciation.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

Where an item of property, plant and equipment was donated, is initially recognised at its fair value as at the date of acquisition.

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is ready to be used.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy, refer to note 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use.

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

1.5.2 De-recognition, Sale & Disposal

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

1.5.3 Depreciation

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful life of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated useful life:

Infrastructure Assets	Years
Street names, signs and parking meters	5
Water reservoirs and reticulation	15 – 20

Community Assets	Years
Parks and gardens	10 -30
Sport fields	20 – 30
Community halls	30
Recreation facilities	20 – 30

Other Assets	Years
Motor vehicles	5
Plant and equipment	2 – 15

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Accounting Policies

Security measures	3 – 10
Buildings	30
IT equipment	3 – 5
Office equipment	3 – 7
Specialised vehicles	10

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimates unless expectations differ from the previous estimate.

1.6 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Refer to impairment of assets accounting policy 1.7

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

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands are recognised in the Statement of Financial Performance as incurred.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

1.6.1 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Financial Performance when incurred. Development activities involve a plan or design for the production of new or substantially new improved products and processes.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the municipality intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the statement of financial performance as incurred.

1.6.2 Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful Life
Computer software	3 Years

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Accounting Policies

The estimated useful life, the amortisation method and the residual values are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

1.7 IMPAIRMENT OF FINANCIAL ASSETS

Impairment of Non-financial assets

Non-Financial assets, excluding investment property and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit exceeds its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Reversals of impairment losses on cash-generating units are allocated on a pro rata basis to the assets in the unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

An available for sale financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, a cumulative gains or losses that have been accumulated in net assets are removed from net assets as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where Held-to-maturity investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

1.8 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Accounting Policies

The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment; refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal installments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

1.9 FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

A financial asset is:

- cash;

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking;
 - non derivative financial assets or financial liabilities with fixed or determinable payments that are designated at

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Accounting Policies

- fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.10 INVENTORIES

Inventories are initially measured at cost where cost of inventories comprises of all costs of purchase, costs of development, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Unsold aviation fuel are valued at the lower of cost and net realisable value on a specific identification cost basis. Fuel are recognized as inventory when purchased, and then charged to expense when sold. Aviation fuel are sold in line with the applicable tariff as promulgated.

1.11 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with banks. Short term investments are included. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the 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 used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

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

The municipality on initial adoption of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The necessary disclosures have been made for non-recognition of provisions that form part of the cost of an asset.

1.13 EMPLOYEE BENEFITS

1.13.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

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

1.13.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.13.3 Retirement benefits

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Accounting Policies

The municipality provides retirement benefits for its employees and councilors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councilors have rendered the employment service or served office entitling them to the contributions.

1.13.4 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.13.5 Post employment medical care benefits

The municipality provides post-employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period.

The municipal post-employment medical care is also on the defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

1.14 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.14.1 Revenue from exchange transactions

Rendering of services

Flat rate service charges relating to rental of facilities and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

The municipality complied with Directive 4 of February 2008, on initial adoption of the Standard of on Revenue from Exchange Transaction, GRAP 9, and has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Sale of Goods

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

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over goods sold;

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Accounting Policies

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliable.

1.14.2 Revenue from non-exchange transactions

Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such assets are transferred to the Municipality.

1.14.3 Transfer revenue

Assets and revenue recognised as a consequence of a transfer at no or nominal cost is measured at the fair value of the assets recognised as at the date of recognition. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession.

1.14.4 Other

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 councilors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

1.15 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the cash basis.

1.16 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Accounting Policies

1.17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), and the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.20 CONSTRUCTION OF ASSETS IN PROGRESS

Construction of assets in progress is capital projects done on behalf of the Local Municipalities from the proceeds of conditional grants received and internal contributions. These projects are only handed over after full completion of the project and therefore all those uncompleted capital projects will be shown as Construction of assets in progress until date of transfer.

1.21 RELATED PARTIES

Related parties are identified and disclosed in terms of GRAP 20. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Associates (as per GRAP 7 - Investments in Associates);
- Joint ventures (as per GRAP 8 - Interests in Joint Ventures)
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Management, and close members of the family of management; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the two bullets above, or over which such a person is able to exercise significant influence.

Each municipality and its own municipal entities are related parties. A municipality is not related to another municipality as they are not under common control, except where there exist a service level agreement to perform a specific function on behalf of the other municipality.

The national government does not control provinces or municipalities for accounting purposes, although funding may be received from the national government.

Emsfuleni Local Municipality, Midvaal Local Municipality and Lesedi Local Municipality are category B municipalities which in terms of the Constitution of South Africa, section 155 (1) (b) means, "A Municipality that shares executive and legislative authority in its area with a category C municipality within whose area it falls." Sedibeng District Municipality is performing agency services on behalf of the Local Municipalities.

The Municipality does not have and associates nor any joint ventures or any other form of association that may be defined as related party relation.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Accounting Policies

1.22 HERITAGE ASSETS

The Municipality has opted to phase in Heritage Assets over the extension period allowed based on the transitional provision for GRAP 103 as indicated in Directive 4. The Municipality will adjust the Heritage asset figures retrospectively with full implementation at 30 June 2015.

1.23 BUDGET INFORMATION

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

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

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

The approved budget covers the fiscal period from 01 Jul 2013 to 30 Jun 2014.

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

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts (see note 37)

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

2. 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	41,907,735	(608,655)	41,299,080	41,907,735	(608,655)	41,299,080
Buildings	72,866,451	(13,053,074)	59,813,377	72,866,451	(10,614,666)	62,251,785
Furniture and fixtures	16,661,339	(12,421,640)	4,239,699	15,791,176	(10,645,939)	5,145,237
Motor vehicles	9,950,757	(7,462,700)	2,488,057	10,036,378	(6,751,467)	3,284,911
Electronic equipment	57,476,083	(27,756,454)	29,719,629	44,101,627	(18,348,871)	25,752,756
Infrastructure	73,086,922	(46,533,260)	26,553,662	71,814,432	(33,882,147)	37,932,285
Other property, plant and equipment	8,803,182	(7,645,254)	1,157,928	8,634,859	(6,965,532)	1,669,327
Specialised vehicles	699,972	(212,556)	487,416	699,972	(182,275)	517,697
Total	281,452,441	(115,693,593)	165,758,848	265,852,630	(87,999,552)	177,853,078

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Land	41,299,080	-	-	-	41,299,080
Buildings	62,251,785	-	-	(2,438,408)	59,813,377
Furniture and fixtures	5,145,237	903,134	(20,659)	(1,788,013)	4,239,699
Motor vehicles	3,284,911	215,754	(192,716)	(819,892)	2,488,057
Electronic equipment	25,752,756	13,538,645	(86,248)	(9,485,524)	29,719,629
Infrastructure	37,932,285	1,272,489	-	(12,651,112)	26,553,662
Other property, plant and equipment	1,669,327	161,523	-	(672,922)	1,157,928
Specialised vehicles	517,697	-	-	(30,281)	487,416
	177,853,078	16,091,545	(299,623)	(27,886,152)	165,758,848

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Impairment reversal	Total
Land	41,299,080	-	-	-	-	41,299,080
Buildings	64,689,775	-	-	(2,438,192)	202	62,251,785
Furniture and fixtures	3,897,567	566,299	(41,103)	(1,347,288)	2,069,762	5,145,237
Motor vehicles	4,380,594	688,728	(85,893)	(1,698,518)	-	3,284,911
Electronic equipment	20,410,228	12,193,860	(117,362)	(7,137,000)	403,030	25,752,756
Infrastructure	45,928,258	17,820	-	(11,713,504)	3,699,711	37,932,285
Other property, plant and equipment	3,080,307	44,781	(1,400)	(1,511,960)	57,599	1,669,327
Specialised vehicles	547,976	-	-	(30,279)	-	517,697
	184,233,785	13,511,488	(245,758)	(25,876,741)	6,230,304	177,853,078

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.

Inclusive in Motor Vehicles is a lease vehicle at a book value of R 267,839 as at 30 June 2014 (R 497,414 as at 30 June 2013).

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

3. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5,994,573	(4,520,143)	1,474,430	4,840,890	(3,853,784)	987,106

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	987,106	1,153,683	(666,359)	1,474,430

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Impairment reversal	Total
Computer software, other	1,923,053	452,319	(1,414,163)	25,897	987,106

4. Heritage assets

Transitional provisions

Due to initial adoption of GRAP 103

Steps taken to establish the values of heritage asset recognised at provisional amounts due to the initial adoption of GRAP 103, is as follows:

The Municipality meets with the Provincial Treasury Department in order to address the Heritage assets currently at the Vaal Technorama Museum in order to determine the methodology to be used for valuation.

The date at which full compliance with GRAP 103 is expected, is Tuesday, 30 June, 2015.

5. Construction of Assets in Progress

Sharpeville Police Station	561,118	457,226
Sports field Lesedi	5,283,126	609,772
Sebokeng Cultural Precinct	4,361,964	634,723
	10,206,208	1,701,721

6. Inventories

Fuel - Airport	382,653	220,090
----------------	---------	---------

The necessary disclosures have been made for inventories in accordance with GRAP 12. AVGAS and JET A1 fuel are held at the Vereeniging Aerodrome for sale

7. Receivables from exchange transactions

Trade debtors	888,170	1,110,139
Employee costs in advance	127,586	123,734

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

	2014	2013 as restated
VAT on Accruals	1,505,401	1,311,101
SETA Refund	1,392,852	1,054,089
Recoverable fruitless and wasteful expenditure	198,985	57,750
Bank Error	17,342	-
Local Municipalities - Agency services	3,765,080	5,674,300
Lotto Sport Bridging Finance	283,180	-
MSIG Bridging Finance	-	18,772
	8,178,596	9,349,885
Trade debtors		
Current (0 – 30 days)	738,265	1,102,234
31 – 60 days	-	-
61 – 90 days	-	-
>91	149,905	7,905
Less: Provision for Debt Impairment	-	-
Total Trade Debtors	888,170	1,110,139
Employee Cost in Advance		
Current (0 – 30 days)	127,586	123,734
Pre-payments		
Current (0 – 30 days)	-	-
VAT on Accruals		
Current (0 – 30 days)	1,505,401	1,311,101
SETA Refunds		
Current(0-30 days)	338,762	344,647
>120 days	1,054,089	709,442
Total SETA Refunds	1,392,851	1,054,089
Recoverable fruitless and wasteful expenditure		
Current (0 – 30 days)	198,985	57,750
Bank Error		
Current (0 – 30 days)	17,342	
Local Municipalities Agency services		
Current (0 – 30 days)	678310	791,450
31 – 60 days	550,717	560,900
61 – 90 days	521,185	474,168
91 – 120 days	540,552	431,966
>120 days	953,131	3,415,816
Total Local Municipalities Agency services	3,765,080	5,674,300
Paving Sidewalk (SANRAL)		
>365 days	1,007,843	1,007,843
Less: Provision for Debt Impairment	-1,007,843	-1,007,843
Total-Paving Sidewalk (SANRAL)	-	-
Lotto Greening Project		
>365 days	1,004,283	1,004,283
Less: Provision for Debt Impairment	-1,004,283	-1,004,283
Total Lotto Greening Project	-	-

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

Lotto Sport Bridging Finance

Current (0 – 30 days) 283,180 -

Insurance Claim

Current (0 – 30 days) - 383,482

MSIG Bridging Finance

Current (0 – 30 days) - 18,772

8. VAT

VAT - Receivable - 18,016

VAT - Payable 900,504 -

The Municipality is registered on the cash basis and the amount reflected relates to the normal monthly submission of the VAT201 return whereby the last return of the financial year is applicable.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	42,325	40,325
Cash book balances	14,706,973	5,967,964
Investment deposits	226,454	907,540
	14,975,752	6,915,829

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June, 2014	30 June, 2013	30 June, 2012	30 June, 2014	30 June, 2013	30 June, 2012
ABSA BANK - Primary Bank Account	1,243,172	1,981,957	3,007,702	1,198,396	1,952,861	2,707,511
ABSA BANK - License function Bank Account	6,188,257	3,425,210	9,184,364	6,188,257	4,015,103	9,711,142
Standard Bank – New Primary Bank Account	1,230,793			1,230,793		
Standard Bank – License function Bank Account	6,089,527			6,089,527		
Total	14,751,749	5,407,167	12,192,066	14,706,973	5,967,964	12,418,653

The Municipality had the following short term investment deposits at year end:

ABSA Call Account – 9085796427 226,454 907,540

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Provincial Grants	1,197,243	7,416,439
National Grants	12,189,697	991,449
DPLG Grants	1,280,579	1,416,790
	14,667,519	9,824,678

Movement during the year

Balance at the beginning of the year 9,824,678 12,793,066
Additions during the year 28,119,530 12,434,800

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

	2014	2013 as restated
Income recognition during the year	(21,291,689)	(15,403,188)
Grant Reversal / Forfeit	(1,985,000)	-
	14,667,519	9,824,678

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 15 for reconciliation of grants from National/Provincial Government.

11. Provisions

Reconciliation of provisions – 2014

	Opening Balance	Utilised during the year	Total
Performance Bonus	1,926,700	(681,671)	1,245,029

Reconciliation of provisions – 2013

	Opening Balance	Total
Performance Bonus	1,926,700	1,926,700

12. Payables from exchange transactions

Trade payables	8,314,450	4,251,623
Accrued leave pay	14,901,272	15,959,613
Department of Transport (Licence fees)	29,621,195	15,771,644
Local Municipalities Accounts	8,496,289	7,961,776
SALA Pension fund	2,667,996	2,210,092
Retention on Capital Projects	1,188,888	97,852
Insurance Claims	134,673	-
Mayoral Events	113,800	104,300
Ambulance fees in advance	84,445	85,187
Refundable town hall rental deposits	133,482	112,984
Unclaimed Salaries	36,632	36,311
Salaries in arrears	29,991	10,687
Unknown deposits	254,737	228,421
Deferred Asset Transfer to Locals	10,206,208	1,701,721
VAT on Debtors	354,697	604,622
	76,538,755	49,136,833

13. Revenue

Sale of goods	3,661,592	1,394,760
Rental of facilities and equipment	8,928,134	7,926,622
Income from agency services	6,553,216	7,246,453
Licences and permits	58,520,058	62,151,875
Other income	1,101,699	887,712
Interest received – investment	1,607,476	2,115,595
Government grants & subsidies	254,076,689	259,626,688
	334,448,864	341,349,705

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

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

Sale of goods	3,661,592	1,394,760
Rental of facilities and equipment	8,928,134	7,926,622
Income from agency services	6,553,216	7,246,453
Licences and permits	58,520,058	62,151,875
Other income	1,101,699	887,712
Interest received – investment	1,607,476	2,115,595
	80,372,175	81,723,017

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

Transfer revenue

Government grants & subsidies	254,076,689	259,626,688
-------------------------------	-------------	-------------

14. Cost of sales

Sale of goods

Cost of goods sold	3,233,650	1,403,544
--------------------	-----------	-----------

Aviation fuel (JET A1 and AVGAS) are sold at the Vereeniging Aerodrome. The amount is not shown separately but shown as part of note 17.

15. Government grants and subsidies

Equitable share	232,785,000	226,009,000
Ambulance subsidy	-	18,214,500
Support Grants	21,291,689	15,403,188
	254,076,689	259,626,688

Equitable Share

Current-year receipts	(232,785,000)	(226,009,000)
Conditions met – transferred to revenue	232,785,000	226,009,000
	-	-

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

Emergency Medical Services

Current-year receipts	-	(18,214,500)
Conditions met – transferred to revenue	-	18,214,500
	-	-

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

Emergency Medical Services has been transferred to the Provincial Health Department I August 2013 and therefore the District Municipality will not receive this subsidy in future.

Provincial Grants

Balance unspent at beginning of year	7,416,439	9,723,103
Current-year receipts	9,774,530	7,108,000
Conditions met – transferred to revenue	(14,988,626)	(9,414,664)
Grant Reversal	(1,005,100)	-
	1,197,243	7,416,439

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

Reconciliation of Unspent Conditional Grants

	Opening Balance July 2013	Grants Received 2013/14	Grants Spent 2013/14	Unspent Grants June 2014
LED Project	1,700,000		(1,418,253)	281,747
HIV/AIDS	1,631,839	6,372,000	(7,936,269)	67,571
Impl Tourism Inst Framework	300,000	52,530	(47,332)	305,198
Establishment of Shared Services	-	350,000	-	350,000
LOTTO – Sport	2,390,228	2,000,000	(4,390,228)	-
EPWP Grant	1,005,240	(5,100)	(1,000,140)	-
Craft Hub Establishment	350,404	-	(196,405)	153,999
Tourism Birding Route	38,728	-	-	38,728
	7,416,438	8,769,430	(14,988,626)	1,197,243

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

National Grants

Balance unspent at beginning of year	991,449	1,362,476
Current-year receipts	18,345,000	5,258,000
Conditions met – transferred to revenue	(6,166,852)	(5,629,027)
Grant Reversal	(979,900)	-
	12,189,697	991,449

Reconciliation of Unspent Conditional Grants

	Opening Balance July 2013	Grants Received 2013/14	Grants Spent 2013/14	Unspent Grants June 2014
Urban Environmental Management Program (DANIDA)	10,615		-	10,615
Municipal Improvement Systems Grant	0	890,000	(703,310)	186,690
Municipal Finance Management Grant	904	1,250,000	(1,250,904)	-
NDPG Project	979,930	15,225,100	(4,212,638)	11,992,392
	991,449	17,365,100	(6,166,852)	12,189,697

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

DLG Grants

Balance unspent at beginning of year	1,416,790	1,707,487
Current-year receipts	-	68,800
Conditions met – transferred to revenue	(136,211)	(359,497)
	1,280,579	1,416,790

Reconciliation of Unspent Conditional Grants

	Opening Balance July 2012	Grants Received 2012/13	Grants Spent 2012/13	Unspent Grants June 2013
Sharpeville Public Library	598,617		(131,211)	462,406

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

		2014	2013 as restated
Environmental	121,474	-	121,474
Construction Of Tea-Tea Road	627,899	-	627,899
Tourism Awards	68,800	-	68,800
	1,416,790	(131,211)	1,280,579

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

Changes in level of government grants

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

16. Other income

Ad-hoc Income	279,421	71,635
Skills Levy Income	338,762	344,647
Ambulance fees	-	48,961
Tender Income	167,170	117,440
Commission on Salaries	166,117	165,994
Telephone Cost recovered	150,229	139,035
	1,101,699	887,712

17. General expenses

Advertising	641,358	765,933
Assessment rates & municipal charges	1,538,177	6,589,891
Auditors remuneration	2,158,221	2,050,167
Bank charges	1,052,485	750,810
Computer expenses	1,348,291	1,255,425
Consulting and professional fees	5,931,535	2,598,399
Consumables	895,661	875,689
Entertainment	517,013	397,901
Insurance	1,962,719	1,263,061
Lease rentals on operating lease	6,515,033	5,913,984
Magazines, books and periodicals	227,937	195,441
Fuel and oil	1,549,041	1,324,335
Postage and courier	2,097	15,593
Printing and stationery	2,049,085	2,271,171
Promotions	999,699	1,142,607
Protective clothing	221,068	322,764
Royalties and license fees	4,176,777	3,796,827
Staff welfare	283,953	257,496
Subscriptions and membership fees	1,880,297	1,601,248
Telephone and fax	3,620,806	3,523,528
Training	3,032,427	999,003
Subsistence & Travel	2,026,061	2,222,913
Office refreshments	412,962	321,052
Workshops	10,263,352	9,747,340
Congresses & Meetings	430,441	357,214
Expenses from Grants	11,589,672	9,074,502
External Bursaries	696,305	468,756
Donations & Grants	299,173	309,569
Catering Expenses	846,341	1,179,274
Sale of goods – Aircraft fuel	3,233,650	1,403,544
	70,401,637	62,995,437

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

18. Employee / Personnel related costs

Employee related cost exclusive of Section 57 employees	125,179,249	123,735,027
Medical aid – company contributions	11,093,322	10,656,043
UIF	989,810	1,025,528
WCA	1,432,761	1,144,257
SDL	1,693,812	1,723,235
Other payroll levies	2,228,041	2,233,037
Leave pay provision charge	1,232,916	3,842,059
Pension Fund contributions	25,368,507	24,938,360
Overtime payments	4,381,730	3,625,731
13 th Cheques Bonus	9,289,000	12,211,064
Car allowance	9,509,723	8,844,498
Housing benefits and allowances	868,303	995,969
Telephone Allowances	505	503
Standby Allowance	562,849	715,667
	193,830,528	195,690,978

Remuneration of municipal manager

Annual Remuneration	1,129,529	1,056,774
Car Allowance	119,784	119,784
Contributions to UIF, Medical and Pension Funds	103,391	96,010
Leave Days	61,001	-
	1,413,705	1,272,568

Remuneration of Chief Finance Officer

Annual Remuneration	724,917	674,324
Car Allowance	144,000	144,000
Contributions to UIF, Medical and Pension Funds	197,364	184,512
Housing Allowance	4,800	4,800
	1,071,081	1,007,636

Remuneration of Executive Directors

Annual Remuneration	2,587,695	3,241,673
Car Allowance	364,000	474,000
Contributions to UIF, Medical and Pension Funds	333,523	314,870
Housing Allowance	12,000	-
	3,297,218	4,030,543

The position for the Executive Director SPED is vacant since August 2013

Remuneration of Chief Operations Officer

Annual Remuneration	1,138,479	1,071,006
Contributions to UIF, Medical and Pension Funds	55,511	52,254
	1,193,990	1,123,260

Total personnel Cost	200,806,522	203,124,985
-----------------------------	--------------------	--------------------

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

19. Remuneration of councillors

Executive Major	754,914	738,739
Mayoral Committee Members	4,854,411	4,663,979
Speaker	614,786	608,942
Councillors	3,194,868	3,263,909
Councillors' pension contribution	913,670	891,932
Telephone Allowance	376,507	116,542
	10,709,156	10,284,043

In-kind benefits

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

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor and Speaker have full-time bodyguards

20. Debt impairment

Debt impairment	66,567	125,855
-----------------	--------	---------

21. Investment revenue

Interest revenue

Bank	1,607,476	2,115,595
------	-----------	-----------

22. Depreciation and amortisation

Property, plant and equipment	27,352,369	25,293,778
Intangible assets	666,359	1,414,163
Sub-Total	28,018,728	26,707,941
Offset depreciation against Government grant reserve	533,781	582,964
	28,552,509	27,290,905

23. Auditors' remuneration

Fees	2,158,221	2,050,167
------	-----------	-----------

24. Contracted services

Specialist Services	15,945,521	13,908,492
Other Contractors	20,872,713	27,790,412
	36,818,234	41,698,904

25. Grants and subsidies paid

Other subsidies

Grants paid to Local Municipalities	11,145,127	5,038,185
-------------------------------------	------------	-----------

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

26. Cash generated from operations

Deficit	(28,014,398)	(13,773,949)
Adjustments for:		
Depreciation and amortisation	27,789,152	26,707,941
Loss / (Gain) on sale of assets and liabilities	134,381	163,960
Finance cost – Finance leases	38,340	47,186
Debt impairment	66,567	125,855
Movements in provisions	(681,671)	-
Asset Movement on GGR	240,782	(15,457)
Changes in working capital:		
Inventories	(162,563)	87,432
Receivables from exchange transactions	1,171,289	(3,589,432)
Debt impairment	(66,567)	(125,855)
Construction of assets in progress	(8,504,487)	30,349,961
Payables from exchange transactions	27,401,926	(33,442,359)
VAT	918,520	4,270,035
Unspent conditional grants and receipts	4,842,841	(2,968,388)
	25,403,689	7,836,930

27. Commitments

27.1 Authorized capital and operating expenditure

Unspent conditional grants and receipts

Provincial Grants	1,197,243	7,416,439
National Grants	12,189,697	991,449
DLG Grants	1,280,579	1,416,790
	14,667,519	9,824,678

The current unspent conditional grants are all committed funds which still need to be utilized in order to meet the conditions as stipulated in the various government gazettes.

Capital commitments arising as a result of contractual obligation:

Fibre Optic Project	962,030	15,088,260
---------------------	---------	------------

27.2 Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	4,722,826	5,465,248
-------------------	-----------	-----------

Operating lease payments represent rentals payable by the municipality for certain of its office properties. No contingent rent is payable.

28. Contingencies

The Municipality may be liable for claims instituted against the Municipality by employees who have disputes against the Municipality. The amount is uncertain as an arbitration award has not yet being issued against those claims.

There is currently a dispute between Sedibeng District Municipality and the Gauteng Department of Transport relating to the treatment of VAT on agency services. Council may be liable for an amount of R 49,539,502 however two legal opinions were obtained and a SARS ruling is still awaited.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

Contingencies arising from pending litigation on wage curve agreement - On 21 April 2010 SALGA signed the "Categorisation and job evaluation wage curves collective agreement" (wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wages of municipal employees, based on an evaluation of employees' jobs per the TASK job evaluation system. Subsequent to the signing of the agreement, the unions declared a dispute with the agreement. The dispute was referred to the Labour Court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011. SALGA, on behalf of municipalities, applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012. To date this Labour Court of Appeal case has not been finalised. As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement, the municipality may have an additional receivable/ payable for employee wages, depending on the outcome of the pending litigation. It is not practicable to reliably estimate the amount of this receivable/ payable prior to the outcome of the pending litigation. The wage curve agreement have not yet been implemented at the Sedibeng District Municipality as job evaluations have not yet been done and therefore it is consequently impracticable to reliably measure the obligation that might exist as a result of the wage curve agreement.

Contingent assets

Emergency Medical Services has been transferred to the Department of Health whereby unfunded expenditure related to the previous year's might be recoverable which amounts to R 38,5Million.

A change in legislation regarding the treatment of UIF payments relating to Councilors resulted in a possible refund to Council which amounts to R 83,823 for the period. SARS is currently busy in finalizing the claim.

29. Prior period errors

SALA Pension fund has been awarded a judgment in their favor relating to a claim on the increase of pension rates payable by Municipalities. Sedibeng District Municipality must pay an amount of R 2,667,995.58. No creditor has been created in the prior year. The amount is split between the 2012/13 (R 392,185) financial year and the prior periods (R 1,817,907). This has an impact on the pension contribution which was re-stated in the statement of financial performance.

Creditors under provided consist of training fees payable for the previous year which amounts to R 15,054 and the SALA pension fees payable of R 392,185.

Creditors over provided consist of retention money not payable to the amount of R 183,461 (grants and subsidies paid)

Debtors over provided consist of insurance claim which did not realized to the amount of R 383,483 (contracted services) and Midvaal Local Municipality at an amount of R 27,407 (subsistence & travel)

A financial lease liability was previously shown as a operating lease and the correction resulted in an additional amount of R18,683. The lease vehicle has been added as an asset to the value of R497,414 as at 30 June 2013 with a lease obligation of R516,098.

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

Statement of changes in net assets

Opening Balance 1 July 2012	145,575,494
SALA creditor not provided	-1,817,907
Restated Closing balance 1 July 2012	143,757,587
Surplus (Deficit) for the year 2013	-13,120,598
Creditors under provided	-407,239
Creditor over provided	183,461
Debtor over provided	-410,890
Financial Lease Liability	-18,683
Restated Surplus (deficit) for the year 2013	-13,773,949

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

30. Risk management

Financial risk management

Liquidity risk

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

Interest rate risk

Credit risk

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

Categories of Financial Instruments

Financial Assets

Cash and cash equivalents	14,975,752	6,915,829
Inventories	382,653	220,090
Trade and other receivables from exchange transactions	8,178,596	9,349,885
VAT Receivable	-	18,016
Construction of Assets in progress	10,206,208	1,701,721
	33,743,209	18,205,541

Financial Liabilities

Unspent conditional grants and receipts	14,667,519	9,824,678
Provisions	1,245,029	1,926,700
VAT Payable	900,504	
Trade and other payables from exchange transactions	76,538,757	49,136,832
Total Liabilities	93,351,809	60,888,210

If the interest rates received on investments increase or decrease by 100 basis points, the effect on the Statement of Financial performance would be as follows:

		2014		2013	
Floating Rate Financial Assets	Rate %	Effect on Surplus	Rate %	Effect on Surplus	
Cash and cash equivalents	1%	149,757	1%	6,915	
Construction of Assets in progress	1%	102,062	1%	170,17	
Inventories	1%	3,826	1%	2,200	
Trade and other receivables from exchange transactions	1%	81,785	1%	93,498	
Floating Rate Financial Liabilities					
Unspent conditional grants and receipts	1%	(102,062)	1%	(98,246)	
Provisions	1%	(12,450)	1%	(19,267)	
Trade and other payables from exchange transactions	1%	(765,387)	1%	(491,368)	

31. Going concern

We draw attention to the fact that at 30 June, 2014, the municipality had accumulated surplus of R 107,334,021 and that the municipality's total assets exceed its liabilities by R 107,334,021.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

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

As a District Municipality based on our powers and functions we are completely grant dependent. No other main revenue source is obtainable. Over the last 5 years, as a result of the global financial economy constraints, National Treasury downscaled and implemented austerity measures which resulted in the reduction of our main source of revenue, the Equitable share. It is as a result of the global financial constraint that the equitable share over the last 5 years were reduced far lessor than the CPI for each financial period. In addition salary increases for the South African Local Bargaining Council was implementing salary increases more than the equitable share growth allocated to municipalities over the last 5 years – UNCONTROLABLE to municipalities. The reduction has been reported to National Treasury as our revenue source diminished. It was based on this reason that the District Municipality implemented austerity measures over the last 4 years which is still in place (HR dashboard- attrition, leave management, etc and Financial snapshot position of municipality performed monthly. The municipality performs daily, weekly and monthly cash flow reconciliations with projections to ensure that we are able to meet our obligations based on the grants received. The grants has been ring-fenced and are adequately apportioned for its main purpose. The municipality adopted a pro-poor budgeting approach and followed National Treasury budget guide as a principle for provision on depreciation and employee cost.

We draw further attention to the fact that at 30 June, 2014, the municipality's current liabilities exceed its current assets with R59,855,797. In addition the anticipated unfunded mandate of R38,5 million for Emergency Medical services rendered to the Provincial Department of Health is still owed to Sedibeng District Municipality which is currently been shown as a contingent asset. Negotiations which ensued was to settle the amount of R25million in good faith to ensure that 19,25 million would be paid during the audit period under review and the balance payable in the 2014/15 financial year.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

32. Events after the reporting date

It has been identified that land is incorrectly registered at the Deeds Office in the name of Sedibeng District Municipality. These properties need to be transferred to their rightful owner, Emfuleni Local Municipality.

33. Unauthorised and Irregular expenditure

33.1 Unauthorised expenditure

None incurred in reporting period

33.2 Irregular expenditure

Declarations of interests were not submitted by the following suppliers to confirm that they are in service of state prior to conducting business with the municipality

No.	Supplier Name	ID nr of Employee	Name of Employee	Surname of Employee	Membership status	Expenditure (current year)
1a	MAROPENG A'AFRIKA LEISURE (PTY)LTD	5704210831089	PATRICIA ELIZABETH	HANEKOM	Director	1 740.00
1b	MAROPENG A'AFRIKA LEISURE (PTY)LTD	5806110181083	DAWN ELIZABETH	ROBERTSON	Director	
2	SHARPETOWN SWINGSTERS JAZZ BAND	6706085337083	MOGOBOSHA NE ELIAS	ACHUSE	Member	5 000.00
3	NEW WAVE NETCALL COLLECTIONS	6908140289081	SINDISIWE NTOMBENHLE	MABASO KOYANA	Director	32 586.00
4	LORD'S SIGNATURE HOTEL	7303100689083	MAAININI ANNETTE	MAHLOKO	Member	167 936.50
5	MELTWATER SOUTH AFRICA (PTY)LTD	8311170000000	SAMUEL	CURTIN	Director	30 000.01
					Total value	237 262.51

34. Fruitless and wasteful expenditure

Possible fruitless and Wasteful expenditure are investigated and where applicable recovered from the Employee / Councillor concern. An amount of R 198,985 is currently being recovered from employees related to traffic fines and training cost. See annual report for details on all recoveries during the year.

35. Additional disclosure in terms of Municipal Finance Management Act

35.1 PAYE and UIF & Skills levy

Current year subscription / fee	31,631,204	31,911,256
Amount paid - current year	(31,631,204)	(31,911,256)

- -

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

35.2 Pension and Medical Aid Deductions

Current year subscription / fee	54,494,518	53,298,963
Amount paid - current year	(54,494,518)	(53,298,963)
	-	-

35.3 VAT

VAT receivable	-	18,016
VAT payable	900,504	-
	900,504	18,016

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

35.4 Deviation from supply chain management regulations

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

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

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

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as restated

LIST OF DEVIATIONS RECORDED FOR THE 2013/2014 FINANCIAL YEAR

Applicable paragraph in SCM Policy	Name of Supplier	Date of the order	Reason for deviation	Approved by:	Cluster	Amount	SCM COMMENTS
(a) Any exceptional cases where it is impractical or impossible to follow the official procurement processes	KHWELLELE TRADING AND PROJECT (PTY) LYD	6-Jul-13	Three quotes were sourced from the supplier database, it was an urgent request for Corporate Gifts from the Tourism Department	COO	Strategic Planning Environmental Development	R 48,250.00	The formal written quotations process was not followed, as the quantity of items was increased after the order was issued
	KAPELEPELE LOGISTICS CC	16-Sep-13	It was urgent request of transport services for employees to attend the Funeral in DUTYWA, Eastern Cape.	COO	CORPORATE SERVICE	R 43,776.00	It was urgent request for a Funeral at Dutywa (Eastern Cape)
	TSATSI CONSULTANTS CC	10-Oct-13	Transport for stakeholders to attend the funeral in Lesotho. (62 delegates).	MM	OFFICE OF THE CHIEF WHIP	R 58,900.00	Three quotes were sourced from the supplier database
	Corpelo 117 CC	29-Nov-13	Security Advisory Services for the Commemoration of the Nangalembe Night Vigil	MM	Community Service	R 75,240.00	A formal written quotation process should have been followed.
	TSATSI CONSULTANTS CC	12-Dec-13	It was urgent request of transport to ferry stakeholders to the union building	CFO	OFFICE OF THE CHIEF WHIP	R 45,000.00	A formal written quotation process could not be followed. Due to the urgency of the request
	M AND H PUMPS AND METER SERVICES	12-Dec-13	The leaking of AVGAS hose is very dangerous, any spark be it fire or lightning can ignite the fuel and cause damage	MM	CORPORATE SERVICES	R 33,630.00	The Municipality should enter into a contract with the service providers to repair and maintain pipes/pump on as and when required basis to avoid recurrence of deviations in this regard
	MOIMA & ASSOCIATES INC	13-Dec-13	Legal charges for special case on various confidential matters	MM	CORPORATE SERVICES	R 543,577.00	Sundry processes followed related to services rendered
	ATLANTA OUTFITTERS CC T/A FIGO	23-Dec-13	Only one supplier registered on the database was recognised to render the service of delivery of VIP Protection Officers uniforms to avoid delays and labour dispute over condition of service.	MM	Community Service	R 130,000.00	A purchase order was made out to the supplier registered on the database.
	TSHAHANNES AND MAMOHAU TRADING AND TRANSPORT	3-Dec-13	The first service provider could not deliver and the SCM process was followed for Mandela Memorial Service	CFO	OFFICE OF THE SPEAKER	R 49,509.00	Normal SCM Processes were followed, but the 1st service provide could not deliver.
	THE SHAKESPEARE INN	10-Feb-14	Executive Mayor meetings conducted with various stakeholders	MM	OFFICE OF THE EXECUTIVE MAYOR	R 40,105.90	Contract in place and sundry payment process followed
	TL APPLIANCES AND LAWNMOWERS	4-Mar-14	The formal procurement process was not followed, but it is impractical to source three quotations because it is repairs and maintenance of Machines	CFO	Corporate Service	R 30,000.00	Urgent request. Supplier listed in the database.
	BONGANI MAKHUNGA TRADING ENTERPRISES CC	4-Mar-14	It was an urgent procurement for unblocked toilets	CFO	Corporate Service	R 7,520.74	Normal SCM Processes should have been followed, if there was proper
	POLYCOMP (PTY) LTD	14-Mar-14	The formal procurement process was followed, it is impractical to source three quotations because it is repairs and maintenance of Machines	CFO	Transport Infrastructure and Environment	R 31,036.50	Urgent request. Supplier listed in the database.
	M & H PUMP SERVICES	13-Mar-14	The emergency occurred after hours whereby the truck from shell was offloading the AVGAS. Due to the sudden loss of pressure from our tanks, there was a need to replace the filter that was blocked during the offloading.	MM	Corporate Service	R 4,001.40	Sourced a quote from the available supplier
	EMERALD CASINO RESORT	18-Mar-14	March 21 Human rights day function. Emerald was identified as the only venue to render the service for the specified no. of delegates	MM	OFFICE OF THE SPEAKER	R 400,000.00	Sourced a quote from the available supplier - sole supplier in area based on requirements to host function
	IT'S INK PRINTER	7-Apr-14	Our Internal machines broke & cartridges were out of stock. Overnight print work was needed.	MM	Municipal Manager	R 29,001.60	Impractical to source three quotes as it was urgent to print the IDP documents. The Internal printing machines could not print
	M & H PUMP SERVICES	26-Jun-14	Replacing a faulty meter at Vereeniging Aerodrome which hampered the rendering of services to its clients	MM	Corporate Services	R 9,741.30	The department should develop specs to have a contract in place to avoid further deviations
	TRADEX INTERNATIONAL CC	16-Jun-14	There is an urgent need to supply uniforms to employees at the Taxi Ranks due to the transfer of employees from the service provider	COO	Corporate Services	R 72,887.07	Three quotes were sourced from the supplier database
Total Expenditure incurred through deviations						R 1,652,176.51	

SUMMARY OF EXPENDITURE INCURRED THROUGH DEVIATION 2013/2014 FINANCIAL YEAR	AMOUNT
CLUSTER / DEPARTMENT	
Strategic Planning Environmental Development	R 48,250.00
Corporate Services	R 745,133.51
Office of the Chief Whip	R 103,900.00
Community Services	R 205,240.00
Office of the Speaker	R 449,509.00
Office of the Speaker	R 40,105.90
Transport Infrastructure and Environment	R 31,036.50
Office of the Municipal Manager	R 29,001.60
Total Expenditure incurred through deviations	R 1,652,176.51

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

35.5 Declaration of business conducted to close family members of persons in the service of the state

The below table list the awards to close family members of persons in the service of the state and awards to persons in the service of the state.

1. Awards to close family members of persons in the service of the state

Company Name	Initials	Surname	Designation and Employee NO.	Relationship with the company	Amount Paid
Panorama Bloemiste CC	CS	Heunes	Senior Accountant Expenditure 17530	Spouse to the Director/Shareholder	R 5,000.00

2. Awards to persons in the service of the state

Company Name	ID NO.	Initials & Surname	Current Employer	Amount Paid 2013/14
None				

35.6 Television sets in terms of the Television License Regulations under the Broadcasting act no 4 of 1999, as amended

Description	Number of sets	Period that sets were in entity's possession
Owned television sets	54	54 sets were used for the full year;
Rented or leased television sets	-	
Number of sets donated/ alienated	-	
TOTAL	54	

35.7 Related party transactions

The Council is rendering information technology services to both Emfuleni and Midvaal local municipalities. Claims towards actual salary expenses have been lodged on a monthly basis whereby the cost incurred for the year was as follow:

Emfuleni Local Municipality	R 5,571,506
Midvaal Local Municipality	R 981,710

The Local Municipalities is rendering Municipal Health services on behalf of the Sedibeng District Municipality. The expenses incurred amounts to R 15,945,521 as shown in note 24 (specialist services).

Councillors and specifically the Executive Mayor and Speaker remuneration in terms of the government gazette are shown separately in note 19.

Section 57 employees' (Key Management) remuneration packages are shown separately in note 18. Section 57 employees are required to enter into an annual performance contract where pre-determined objectives are linked to the integrated development Plan. Councillors and all officials must annually declare their interests and the interest of close family members to Council.

Audit Committee members have received an allowance of R 171,000 for the year under review.

The Council is in the process of establishing a State Owned Company (SOC), "The Vaal River City Tourism Promotion Company SOC" which will operate as a municipal entity to render the local tourism function. The CIPC Commissioner has registered the entity taking effect as from 30 August 2013, however, the establishment of the entity as per section 84(2) MFMA have as yet not been concluded and operations were not undertaken in terms of sections 85 through to 104 MFMA and hence there are no further disclosures to be made in terms of section 92 MFMA for the year ended 30 June 2014.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

2014

2013 as
restated

36. Accumulated surplus

Ring-fenced internal funds within accumulated surplus - 2014

Government Grant Reserve	Movement of ring-fenced internal funds	Total
Opening balance	2,130,690	2,130,690
Offsetting of depreciation	(533,780)	(533,780)
Capital grants used to purchase property, plant and equipment	243,153	243,153
Asset Disposal	(2,372)	(2,372)
	1,837,691	1,837,691

Ring-fenced internal funds within accumulated surplus - 2013

Government Grant Reserve	Movement of ring-fenced internal funds	Total
Opening balance	2,691,831	2,691,831
Offsetting of depreciation	(582,965)	(582,965)
Capital grants used to purchase property, plant and equipment	37,281	37,281
Asset Disposal	(15,457)	(15,457)
	2,130,690	2,130,690

37. Finance Lease Obligation

Minimum lease payments due

- Within one year	263,779	263,779
- in second to fifth year inclusive	43,963	307,742
	307,742	571,521
Less: future finance charges	(17,083)	(55,423)
Present value of minimum lease payment	290,659	516,098

Non-Current	43,460	290,659
Current	247,199	225,439
	290,659	516,098

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

38. Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
Statement of Financial Performance for the 2013/14 financial period							
Revenue							
Revenue from exchange transactions							
Sale of goods	2,808,000	-34,805	2,773,195	3,661,592	888,397	32.04%	More collected than budget due to an increase in demand for aviation fuel at the Vereeniging Aerodrome
Rental of facilities and equipment	9,103,570	-17,468	9,086,102	8,928,134	-157,968	-1.74%	
Income from agency services	7,307,390	-835,068	6,472,322	6,553,216	80,894	1.25%	
Licenses and permits	65,854,802	-900,000	64,954,802	58,520,058	-6,434,744	-9.91%	Two testing station were closed for renovations by the Department of Transport in order to become compliant which resulted in loss of revenue
Other income - (rollup)	2,781,569	19,370,751	22,152,320	1,101,699	-21,050,621	-95.03%	Emergency Medical Services unfunded portion was expected to be resolved. The outstanding amount is currently being escalated to higher authorities to resolve
Interest received - investment	2,060,000	40,084	2,100,084	1,607,476	-492,608	-23.46%	Loss of revenue due to temporarily closure of testing stations. Reduced

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

38. Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
							interest rates and less money to invest.
Total revenue from exchange transactions	89,915,331	17,623,494	107,538,825	80,372,175	-27,166,650		
Revenue from non-exchange transactions							
Taxation revenue							
Government grants & subsidies	260,552,000	-	260,552,000	254,076,689	-6,475,311	-2.49%	
Total revenue	350,467,331	17,623,494	368,090,825	334,448,864	-33,641,961		
Expenditure							
Personnel	-195,574,243	-4,732,682	-200,306,925	-200,806,522	-499,597	0.25%	
Remuneration of councillors	-10,579,993	-354,455	-10,934,448	-10,709,156	225,292	-2.06%	
Depreciation and amortisation	-23,265,556	-4,523,600	-27,789,156	-28,018,728	(229,572)	0.11%	
Finance cost				-38,380	(38,380)		
Debt impairment	-	-66,600	-66,600	-66,567	33	-0.05%	
Public Participation	-160,540	150,000	-10,540	-8,450	2,090	-19.83%	Spending was based on specific need identified and cost containment measure implemented

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2014

Notes to the Financial Statements

Figures in Rand

38. Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
Repairs and maintenance	-4,495,894	76,372	-4,419,522	-4,316,120	103,402	-2.34%	
Contracted Services	-39,560,241	268,786	-39,291,455	-36,818,234	2,473,221	-6.29%	
Grants and subsidies paid	-16,013,158	4,868,000	-11,145,158	-11,145,127	31	0.00%	
General Expenses	-60,687,929	-10,231,556	-70,919,485	-70,401,637	517,848	-0.73%	
Total expenditure	-350,337,554	-14,545,735	-364,883,289	-362,324,744	2,558,545		
Operating deficit	129,777	3,077,759	3,207,536	-27,880,017	-31,087,553		
Loss on disposal of assets and liabilities	50,000	20,000	70,000	-134,381	-204,381	-291.97%	Loss on stolen vehicle has resulted in variance which was not anticipated
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	179,777	3,097,759	3,277,536	-28,014,398	-31,291,934		

Sedibeng District Municipality

2013-14 annual report



Sedibeng District Municipality

2013-14 annual report



Sedibeng District Municipality

2013-14 **annual report**



Sedibeng District Municipality

2013-14 annual report

