



Mangaung Metropolitan Municipality  
Consolidated Annual Financial Statements  
for the year ended 30 June 2015

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area.
<b>Executive Mayor</b>	T M Manyoni
<b>Deputy Executive Mayor</b>	C L M Rampai
<b>Speaker</b>	M A Siyonzana
<b>Chief Whip</b>	Z E Mangcotywa
<b>Mayoral Committee Members</b>	L A Masoetsa M J Matsoelane M A Moeng N G Mokotjo S A Monnakgori X D Pongolo K N Rabela D M Sekakanyo M M Tsomela
<b>Grading of local authority</b>	Metropolitan
<b>Accounting Officer</b>	S Mazibuko
<b>Chief Finance Officer (CFO)</b>	M E Mohlahlo
<b>Registered office and business address</b>	Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaf Street Bloemfontein 9301
<b>Postal address</b>	PO Box 3704 Bloemfontein 9301
<b>Bankers</b>	ABSA Bank Limited Development Bank of South Africa First National Bank Nedbank Limited Standard Bank of South Africa Limited
<b>Auditors</b>	The Auditor-General of South Africa
<b>Enabling legislation</b>	Local Government: Municipal Finance Management Act, (Act 56 of 2003) Local Government: Municipal Systems Act, (Act 32 of 2000) Local Government: Municipal Structures Act, (Act 117 of 1998) Municipal Property Rates Act, (Act 6 of 2004) Division of Revenue Act, (Act 10 of 2014) Municipal Demarcation Act, (Act 27 of 1998)

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## Abbreviations

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### 1. Abbreviations used within the annual financial statements

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
FV	Fair Value
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act, (Act 56 of 2003)
MIG	Municipal Infrastructure Grant (Previously CMIP)
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
VAR	Variance
BAL	Balance
ACT	Actual
VAT	Value Added Tax

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Officer's Responsibilities and Approval

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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 consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and was given unrestricted access to all financial records and related data.

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

The consolidated annual financial statements are based upon appropriate accounting policies consistently applied, other than those identified in note 2, and are supported by reasonable and prudent judgements and estimates.

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

The accounting officer is responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, (Act 56 of 2003), and has signed on behalf of the entity.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 43 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the entity's cash flow forecast for the year to 30 June 2016 and in the light of this review and the current financial position, she is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future. Details regarding this assumption have been included in note 62.

Although the accounting officer is primarily responsible for the financial affairs of the entity, she is supported by the entity's external auditors to express an independent opinion on the fair presentation of the financial statements.

The external auditors are responsible for independently reviewing and reporting on the entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the entity's external auditors.

The consolidated annual financial statements set out on pages 6 to 119, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 30 September 2015:

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**Accounting Officer**  
**S Mazibuko**

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Officer's Report

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The accounting officer submits her report for the year ended 30 June 2015.

### 1. Review of activities

#### Main business and operations

The entity is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area and operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached consolidated annual financial statements and do not in my opinion require any further comment.

Net surplus of the entity was R 118,264,291 (2014: surplus R 858,317,679).

### 2. Going concern

I draw attention to the fact that at 30 June 2015, the entity had an accumulated surplus of R 11,485,941,640 and that the entity's total assets exceed its liabilities by R 13,944,195,699.

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

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 1 of 2015).

### 3. Subsequent events

On 9 December 2013 the Council approved the commencement of the initial processes that would lead to the entity issuing bonds to banks and/or pension funds. This process has been initiated, and it is expected that the project will be implemented during the next financial year.

On 2 July 2015 the Municipal Demarcation Board issued circular 8/2015 which re-determined certain municipal boundaries. As a result of this re-determination, the boundaries of Mangaung Metropolitan Municipality may extend to include Naledi Local Municipality. It is expected that this change may be implemented as of 1 July 2016.

On 20 August 2015 the Council resolved that 17 984 indigents be included in the indigent register. These indigents had outstanding balances amounting to R103 586 201 at the date of inclusion. Council approved the write off of these balances in the same meeting.

### 4. Accounting Officer's interest in contracts

None.

### 5. Accounting policies

The consolidated annual financial statements are prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any directives and interpretations of such Standards issued by the Accounting Standards Board, and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003). The accounting policies are presented on pages 13 to 44, and unless indicated in note 2 are consistent with the prior year.

### 6. Credit rating obtained

During the current financial year the entity was evaluated by Moody's Investors' Services South Africa (Pty) Ltd. The entity obtained a A3.za/P-2.za rating, with stable outlook, which reflect the entity's strong operating balance and improving cash flows supported by low debt levels relative to other rated metropolitan municipalities in the country.

### 7. Accounting Officer

The accounting officer of the entity during the year and to the date of this report is as follows:

Name: S Mazibuko  
Nationality: South African

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Notes	2015	2014 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	4	311,534,134	262,734,057
Other receivables from non-exchange transactions	5	2,337,243	3,515,651
Other receivables from exchange transactions	6	88,371,774	65,310,114
Consumer receivables from non-exchange transactions	7	377,650,411	347,938,313
Consumer receivables from exchange transactions	8	643,042,057	556,856,959
VAT receivable	9	28,550,924	-
Investments	10	313,462,646	186,559,010
Cash and cash equivalents	11	362,163,919	452,267,612
Non-current receivables	16	295,545	436,944
		<b>2,127,408,653</b>	<b>1,875,618,660</b>
<b>Non-Current Assets</b>			
Investment property	12	1,670,320,863	1,676,857,863
Property, plant and equipment	13	13,077,196,452	11,028,018,749
Intangible assets	14	117,162,358	108,274,862
Heritage assets	15	321,656,341	321,656,341
Non-current receivables	16	4,691,251	3,356,019
		<b>15,191,027,265</b>	<b>13,138,163,834</b>
<b>Total Assets</b>		<b>17,318,435,918</b>	<b>15,013,782,494</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	17	862,270,830	736,044,122
Payables from non-exchange transactions	18	279,414,560	146,443,906
Consumer deposits	19	101,668,902	78,017,639
Unspent conditional grants and receipts	20	126,270,011	122,489,296
VAT payable	21	-	43,870,503
Finance lease obligation	22	41,538,934	56,095,130
Operating lease accrual	23	304,171	149,479
Current portion of borrowings	24	35,002,985	8,586,359
Provisions	25	194,808,344	207,016,427
Defined benefit obligation	26	972,000	597,000
		<b>1,642,250,737</b>	<b>1,399,309,861</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	22	66,592,238	87,420,438
Operating lease liability	23	96,338	234,323
Borrowings	24	557,182,590	183,277,108
Provisions	25	237,691,924	229,147,931
Defined benefit obligation	26	645,493,000	559,648,000
FRESHCO liability	27	193,357,936	181,443,631
Land availability liability	28	31,575,456	-
		<b>1,731,989,482</b>	<b>1,241,171,431</b>
<b>Total Liabilities</b>		<b>3,374,240,219</b>	<b>2,640,481,292</b>
<b>Net Assets</b>		<b>13,944,195,699</b>	<b>12,373,301,202</b>
Reserves			
Revaluation reserve	29	2,382,625,439	942,625,311
Other Non Distributable Reserve	30	60,000,000	60,000,000
Self insurance reserve	31	5,000,000	5,000,000
COVID reserve	32	10,628,620	8,934,694
Accumulated surplus		11,485,941,640	11,356,741,197
<b>Total Net Assets</b>		<b>13,944,195,699</b>	<b>12,373,301,202</b>

\* See Note 2 & 59

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Notes	2015	2014 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	35	2,887,093,070	2,793,359,165
Rental of facilities and equipment	36	28,370,602	21,151,705
Agency services		4,750,908	4,725,488
Licences and permits		170,678	433,435
Other income from exchange transactions	37	58,413,923	56,346,162
Interest received	38	237,073,638	178,079,013
<b>Total revenue from exchange transactions</b>		<b>3,215,872,819</b>	<b>3,054,094,968</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	39	871,212,408	975,955,420
<b>Transfer revenue</b>			
Government grants and subsidies	40	1,608,312,777	1,722,782,784
Other income from non-exchange transactions	41	16,650,573	45,474,760
Fines		79,198,221	77,361,862
<b>Total revenue from non-exchange transactions</b>		<b>2,575,373,979</b>	<b>2,821,574,826</b>
<b>Total revenue</b>	34	<b>5,791,246,798</b>	<b>5,875,669,794</b>
<b>Expenditure</b>			
Employee related costs	42	(1,261,006,368)	(1,109,018,167)
Remuneration of councillors	43	(49,594,283)	(47,106,731)
Depreciation and amortisation	44	(618,978,349)	(475,069,438)
Impairment loss/ Reversal of impairments	45	(8,316,901)	290,854
Finance costs	46	(97,063,969)	(70,378,989)
Debt impairment	47	(636,516,081)	(593,106,050)
Repairs and maintenance		(370,271,376)	(313,356,081)
Bulk purchases	48	(1,614,567,988)	(1,487,044,186)
Contracted services	49	(281,758,724)	(245,685,152)
Grants and subsidies paid	50	(183,088,778)	(175,380,556)
General expenses	51	(537,115,580)	(460,107,401)
<b>Total expenditure</b>		<b>(5,658,278,397)</b>	<b>(4,975,961,897)</b>
<b>Operating surplus</b>			
Gains/(losses) on disposal of assets and liabilities		(17,829,844)	6,295,498
Fair value adjustments	52	9,683	8,453,463
Actuarial gains/(losses)	26	3,116,051	(56,139,179)
		<b>(14,704,110)</b>	<b>(41,390,218)</b>
<b>Surplus for the year</b>		<b>118,264,291</b>	<b>858,317,679</b>

\* See Note 2 & 59



# Mangaung Metropolitan Municipality

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## Statement of Changes in Net Assets

	Revaluation reserve	Other Non Distributable Reserve	Self Insurance reserve	COVID reserve	Total reserves	Accumulated surplus	Total net assets
Figures in Rand							
Opening balance as previously reported	907,540,042	60,000,000	77,484,513	11,457,126	1,056,481,681	10,009,051,258	11,065,532,939
Adjustments							
Prior year adjustments	23,546,851	-	-	-	23,546,851	401,935,971	425,482,822
<b>Balance at 01 July 2013 as restated*</b>	<b>931,086,893</b>	<b>60,000,000</b>	<b>77,484,513</b>	<b>11,457,126</b>	<b>1,080,028,532</b>	<b>10,410,987,229</b>	<b>11,491,015,761</b>
Changes in net assets							
Surplus for the year	-	-	-	-	-	858,317,679	858,317,679
Reassessment of reserve	-	-	(72,484,513)	-	(72,484,513)	72,484,513	-
Revaluation of assets	24,026,964	-	-	-	24,026,964	-	24,026,964
Realisation of revaluation reserve	(12,488,546)	-	-	-	(12,488,546)	12,429,344	(59,202)
Contributions received	-	-	274,940	2,992,946	3,267,886	(3,267,886)	-
Insurance claims processed	-	-	(274,940)	(5,515,378)	(5,790,318)	5,790,318	-
Total changes	11,538,418	-	(72,484,513)	(2,522,432)	(63,468,527)	945,753,968	882,285,441
Opening balance as previously reported	900,318,550	60,000,000	77,209,573	8,934,694	1,046,462,817	10,978,680,342	12,025,143,159
Adjustments							
Prior year adjustments	42,306,761	-	(72,209,573)	-	(29,902,812)	378,060,858	348,158,046
<b>Balance at 01 July 2014 as restated*</b>	<b>942,625,311</b>	<b>60,000,000</b>	<b>5,000,000</b>	<b>8,934,694</b>	<b>1,016,560,005</b>	<b>11,356,741,200</b>	<b>12,373,301,205</b>
Changes in net assets							
Surplus for the year	-	-	-	-	-	118,264,291	118,264,291
Revaluation of assets	1,452,032,434	-	-	-	1,452,032,434	-	1,452,032,434
Realisation of Revaluation Reserve	(12,032,306)	-	-	-	(12,032,306)	12,630,075	597,769
Contributions received	-	-	264,447	3,132,625	3,397,072	(3,397,072)	-
Insurance claims processed	-	-	(264,447)	(1,438,699)	(1,703,146)	1,703,146	-
Total changes	1,440,000,128	-	-	1,693,926	1,441,694,054	129,200,440	1,570,894,494
<b>Balance at 30 June 2015</b>	<b>2,382,625,439</b>	<b>60,000,000</b>	<b>5,000,000</b>	<b>10,628,620</b>	<b>2,458,254,059</b>	<b>11,485,941,640</b>	<b>13,944,195,699</b>
Notes	29	30	31	32			

\* See Note 2 & 59

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## Cash Flow Statement

Figures in Rand	Notes	2015	2014 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		3,159,288,625	3,128,833,724
Grants		1,429,004,714	1,476,653,813
Interest income		201,759,795	156,096,452
		<u>4,790,053,134</u>	<u>4,761,583,989</u>
<b>Payments</b>			
Employee costs		(1,274,479,597)	(1,107,898,075)
Suppliers		(2,644,985,170)	(2,588,464,857)
Finance costs		(4,368)	(41,007,623)
		<u>(3,919,469,135)</u>	<u>(3,737,370,555)</u>
<b>Net cash flows from operating activities</b>	53	<b><u>870,583,999</u></b>	<b><u>1,024,213,434</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(1,201,007,480)	(1,122,118,440)
Proceeds from sale of investment property	12	6,537,000	(3,669,363)
Purchase of other intangible assets	14	(18,187,643)	(5,746,078)
Interest (paid) / received		33,899,145	20,595,118
Proceeds from other non-current receivables		230,548	1,789,656
Funds invested		(126,903,636)	(186,559,010)
		<u>(1,305,432,066)</u>	<u>(1,295,708,117)</u>
<b>Net cash flows from investing activities</b>		<b><u>(1,305,432,066)</u></b>	<b><u>(1,295,708,117)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of current portion of borrowings		400,322,108	12,777,818
Finance lease payments		(35,384,396)	135,967,545
Interest (paid)/received		(43,844,601)	(29,371,367)
Consumer deposits		23,651,263	1,302,046
		<u>344,744,374</u>	<u>120,676,042</u>
<b>Net cash flows from financing activities</b>		<b><u>344,744,374</u></b>	<b><u>120,676,042</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(90,103,693)</u></b>	<b><u>(150,818,641)</u></b>
Cash and cash equivalents at the beginning of the year		452,267,612	603,086,253
<b>Cash and cash equivalents at the end of the year</b>	11	<b><u>362,163,919</u></b>	<b><u>452,267,612</u></b>

\* See Note 2 & 59

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 69
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	1,084,200,413	(181,111,027)	<b>903,089,386</b>	871,212,408	<b>(31,876,978)</b>	A1, B1
Service charges	3,469,943,065	(368,311,344)	<b>3,101,631,721</b>	2,887,093,070	<b>(214,538,651)</b>	A2, B2
Investment revenue	196,589,127	(9,274,581)	<b>187,314,546</b>	57,860,001	<b>(129,454,545)</b>	
Transfers recognised - operational	617,571,000	15,362,966	<b>632,933,966</b>	619,281,852	<b>(13,652,114)</b>	A3, B3
Other own revenue	925,023,468	(20,053,805)	<b>904,969,663</b>	608,727,432	<b>(296,242,231)</b>	B4
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>6,293,327,073</b>	<b>(563,387,791)</b>	<b>5,729,939,282</b>	<b>5,044,174,763</b>	<b>(685,764,519)</b>	
<b>Expenditure by type</b>						
Employee costs	(1,356,536,955)	(15,282,340)	<b>(1,371,819,295)</b>	(1,261,006,368)	<b>110,812,927</b>	
Remuneration of councillors	(51,692,467)	51,309	<b>(51,641,158)</b>	(49,594,283)	<b>2,046,875</b>	
Debt impairment	(214,628,485)	-	<b>(214,628,485)</b>	(636,516,081)	<b>(421,887,596)</b>	B5
Depreciation & asset impairment	(492,852,581)	58,008,111	<b>(434,844,470)</b>	(627,295,250)	<b>(192,450,780)</b>	B6
Finance charges	(244,132,153)	17,231,839	<b>(226,900,314)</b>	(97,063,969)	<b>129,836,345</b>	A4
Materials and bulk purchases	(2,163,848,425)	265,382,439	<b>(1,898,465,986)</b>	(1,984,839,364)	<b>(86,373,378)</b>	A5
Transfers and grants	(161,255,266)	33,089,609	<b>(128,165,657)</b>	(183,088,778)	<b>(54,923,121)</b>	A6, B7
Other expenditure	(1,239,100,846)	(85,534,976)	<b>(1,324,635,822)</b>	(818,874,304)	<b>505,761,518</b>	A7, B8
<b>Total expenditure</b>	<b>(5,924,047,178)</b>	<b>272,945,991</b>	<b>(5,651,101,187)</b>	<b>(5,658,278,397)</b>	<b>(7,177,210)</b>	
<b>Surplus</b>	<b>369,279,895</b>	<b>(290,441,800)</b>	<b>78,838,095</b>	<b>(614,103,634)</b>	<b>(692,941,729)</b>	
Transfers recognised - capital	756,633,000	70,672,989	<b>827,305,989</b>	732,367,925	<b>(94,938,064)</b>	A3, B3
Contributions recognised - capital & contributed assets	19,267,015	(19,267,015)	-	-	-	
<b>Deficit after capital transfers &amp; contributions</b>	<b>1,145,179,910</b>	<b>(239,035,826)</b>	<b>906,144,084</b>	<b>118,264,291</b>	<b>(787,879,793)</b>	
<b>Deficit for the year</b>	<b>1,145,179,910</b>	<b>(239,035,826)</b>	<b>906,144,084</b>	<b>118,264,291</b>	<b>(787,879,793)</b>	
<b>Reconciliation</b>						
<b>Total Revenue Reconciliation</b>						
Add: Fair value adjustments				9,683		R1
Add: Actuarial gains				3,116,051		R1
Less: Loss on disposal of assets				(17,829,884)		R1
<b>Total Expenses Reconciliation</b>						
Less: Fair value adjustments				(9,683)		R1
Less: Actuarial gains				(3,116,051)		R1
Add: Loss on disposal of assets				17,829,884		R1
<b>Actual Amount in the Statement of Financial Performance</b>				<b>118,264,291</b>		

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 69
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash	65,100,622	(12,294,812)	<b>52,805,810</b>	362,163,919	<b>309,358,109</b>	A8, B9
Call investment deposits	1,117,408,742	(644,578,897)	<b>472,829,845</b>	-	<b>(472,829,845)</b>	A8, B9
Consumer debtors	1,256,220,278	183,731,992	<b>1,439,952,270</b>	1,020,692,468	<b>(419,259,802)</b>	A8, B9
Other debtors	226,753,214	350,545,848	<b>577,299,062</b>	432,722,587	<b>(144,576,475)</b>	A8, B9
Current portion of long-term receivables	13,788,222	-	<b>13,788,222</b>	295,545	<b>(13,492,677)</b>	B9
Inventory	235,286,386	-	<b>235,286,386</b>	311,534,134	<b>76,247,748</b>	B9
	<b>2,914,557,464</b>	<b>(122,595,869)</b>	<b>2,791,961,595</b>	<b>2,127,408,653</b>	<b>(664,552,942)</b>	
<b>Non-Current Assets</b>						
Long-term receivables	18,373,538	-	<b>18,373,538</b>	4,658,753	<b>(13,714,785)</b>	
Investments	17,488	-	<b>17,488</b>	32,498	<b>15,010</b>	
Investment property	2,364,689,240	-	<b>2,364,689,240</b>	1,670,320,863	<b>(694,368,377)</b>	B9
Property, plant and equipment	9,244,571,589	88,508,292	<b>9,333,079,881</b>	13,398,852,793	<b>4,065,772,912</b>	A8, B9
Intangible assets	235,099,020	-	<b>235,099,020</b>	117,162,358	<b>(117,936,662)</b>	B9
Other non-current assets	15,892,876	-	<b>15,892,876</b>	-	<b>(15,892,876)</b>	B9
	<b>11,878,643,751</b>	<b>88,508,292</b>	<b>11,967,152,043</b>	<b>15,191,027,265</b>	<b>3,223,875,222</b>	
<b>Total Assets</b>	<b>14,793,201,215</b>	<b>(34,087,577)</b>	<b>14,759,113,638</b>	<b>17,318,435,918</b>	<b>2,559,322,280</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Borrowings	18,425,887	-	<b>18,425,887</b>	76,846,090	<b>58,420,203</b>	B9
Consumer deposits	77,100,077	-	<b>77,100,077</b>	101,668,902	<b>24,568,825</b>	
Trade and other payables	1,194,019,564	(30,000,000)	<b>1,164,019,564</b>	1,267,955,401	<b>103,935,837</b>	A8, B9
Provisions	146,625,564	-	<b>146,625,564</b>	195,780,344	<b>49,154,780</b>	B9
	<b>1,436,171,092</b>	<b>(30,000,000)</b>	<b>1,406,171,092</b>	<b>1,642,250,737</b>	<b>236,079,645</b>	
<b>Non-Current Liabilities</b>						
Borrowings	497,581,984	(23,064,225)	<b>474,517,759</b>	848,804,558	<b>374,286,799</b>	A8, B9
Provisions	991,932,233	-	<b>991,932,233</b>	883,184,924	<b>(108,747,309)</b>	B9
	<b>1,489,514,217</b>	<b>(23,064,225)</b>	<b>1,466,449,992</b>	<b>1,731,989,482</b>	<b>265,539,490</b>	
<b>Total Liabilities</b>	<b>2,925,685,309</b>	<b>(53,064,225)</b>	<b>2,872,621,084</b>	<b>3,374,240,219</b>	<b>501,619,135</b>	
<b>Net Assets</b>	<b>11,867,515,906</b>	<b>18,976,648</b>	<b>11,886,492,554</b>	<b>13,944,195,699</b>	<b>2,057,703,145</b>	
<b>Community wealth/equity</b>						
Accumulated Surplus/(Deficit)	10,927,465,969	18,976,648	<b>10,946,442,617</b>	11,485,941,640	<b>539,499,023</b>	A8
Reserves	940,049,937	-	<b>940,049,937</b>	2,458,254,059	<b>1,518,204,122</b>	
<b>Total community wealth/equity</b>	<b>11,867,515,906</b>	<b>18,976,648</b>	<b>11,886,492,554</b>	<b>13,944,195,699</b>	<b>2,057,703,145</b>	

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 69
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Ratepayers and other	4,749,271,591	(784,711,866)	<b>3,964,559,725</b>	3,159,288,625	<b>(805,271,100)</b>	A9, B10
Government - operating	1,345,204,000	3,467,114	<b>1,348,671,114</b>	1,429,004,714	<b>80,333,600</b>	A9, B10
Interest	330,835,889	(133,432,979)	<b>197,704,199</b>	201,759,795	<b>4,055,596</b>	A9, B10
	<b>6,425,311,480</b>	<b>(914,677,731)</b>	<b>5,510,935,038</b>	<b>4,790,053,134</b>	<b>(720,881,904)</b>	
<b>Payments</b>						
Suppliers and employees	(4,850,257,651)	159,236,178	<b>(4,691,021,473)</b>	(3,919,464,770)	<b>771,556,703</b>	A9, B10
Finance charges	(104,405,876)	41,777,338	<b>(62,628,538)</b>	(4,368)	<b>62,624,170</b>	A9, B10
Transfers and grants	(58,938,215)	43,134,624	<b>(15,803,591)</b>	-	<b>15,803,591</b>	A9, B10
	<b>(5,013,601,742)</b>	<b>244,148,140</b>	<b>(4,769,453,602)</b>	<b>(3,919,469,138)</b>	<b>849,984,464</b>	
<b>Net cash flows from operating activities</b>	<b>1,411,709,738</b>	<b>(670,529,591)</b>	<b>741,481,436</b>	<b>870,583,996</b>	<b>129,102,560</b>	
<b>Cash flows from investing activities</b>						
<b>Receipts</b>						
Proceeds on disposal of PPE	20,257,015	(19,267,015)	<b>990,000</b>	-	<b>(990,000)</b>	A9
<b>Payments</b>						
Capital assets	(1,293,887,736)	39,514,285	<b>(1,254,373,451)</b>	(1,305,432,066)	<b>(51,058,615)</b>	A9, B10
<b>Net cash flows from investing activities</b>	<b>(1,273,630,721)</b>	<b>20,247,270</b>	<b>(1,253,383,451)</b>	<b>(1,305,432,066)</b>	<b>(52,048,615)</b>	
<b>Cash flows from financing activities</b>						
<b>Receipts</b>						
Borrowing long term/refinancing	368,517,759	58,482,241	<b>427,000,000</b>	321,093,111	<b>(105,906,889)</b>	A9, B10
Increase/(decrease) in consumer deposits	2,500,000	(216,118)	<b>2,283,882</b>	23,651,263	<b>21,367,381</b>	A9, B10
	<b>371,017,759</b>	<b>58,266,123</b>	<b>429,283,882</b>	<b>344,744,374</b>	<b>(84,539,508)</b>	
<b>Payments</b>						
Repayment of borrowing	(64,935,775)	39,934,684	<b>(25,001,091)</b>	-	<b>25,001,091</b>	A9, B10
<b>Net cash flows from financing activities</b>	<b>306,081,984</b>	<b>98,200,807</b>	<b>404,282,791</b>	<b>344,744,374</b>	<b>(59,538,417)</b>	
Net increase/(decrease) in cash held	444,161,001	(552,081,514)	<b>(107,619,224)</b>	(90,103,696)	<b>17,515,528</b>	A9, B10
Cash/cash equivalents at the beginning of the year:	738,348,273	(105,093,381)	<b>633,254,892</b>	452,267,612	<b>(180,987,280)</b>	A9, B10
<b>Cash and cash equivalents at the end of the year</b>	<b>1,182,509,274</b>	<b>(657,174,895)</b>	<b>525,635,668</b>	<b>362,163,916</b>	<b>(163,471,752)</b>	

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Presentation of Consolidated Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

#### 1.1 Going concern assumption

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

#### 1.2 Consolidation

##### Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entities, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of controlled entities, are included in the consolidated annual financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The consolidated annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional consolidated annual financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the consolidated annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's annual financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

#### 1.3 Significant judgements and sources of estimation uncertainty

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

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Trade receivables, loans and other receivables

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

Where the impairment for trade receivables and loans and other receivables is calculated on a portfolio basis, these are based on historical loss ratios. These annual loss ratios are applied to loan balances in the portfolio. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

#### Allowance for slow moving, damaged and obsolete stock

An allowance for slow moving, damaged and obsolete inventory to write inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

#### Fair value estimation

The fair value of financial instruments traded in active markets such as trading securities is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

The fair value of investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of a heritage asset is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of a heritage asset is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

#### Impairment testing

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

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 25 - Provisions.

Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effect is material.

#### Useful lives and residual values

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.5 Property, plant and equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual values, management also makes these changes prospectively.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Post retirement benefits

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 26.

### 1.4 Investment property

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

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

Cost is the amount of cash or cash equivalents or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction.

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

#### Fair value

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

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

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

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

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

#### Derecognition:

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of investment property included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.



# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

#### Subsequent measurement:

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for land and buildings, and electrical infrastructure, which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity by registered valuers for every class separately.

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

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

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

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

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

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

#### Depreciation and impairment:

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Subsequent to initial recognition, property, plant and equipment on the cost model, is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Item	Average useful life (years)
Buildings	30-53
Other vehicles	3-55
Community / Recreational facilities	6-100
Fire arms	5-40
Environmental facilities	15
Roads and stormwater	5-100
Finance leases - Equipment	3-5
Security	8-12
Specialised plant and equipment	3-55
Sewerage and mains	40-100
Water and sewerage network	7-100
Quarries	20-30
Landfill sites	20-69
Housing	50
Other assets	3-35

The residual value, the useful life and depreciation method of each asset are reviewed at least 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 estimate unless expectations differ from the previous estimate.

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

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

#### Derecognition:

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

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

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

#### Commitments:

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 54. The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

### 1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Intangible assets are initially recognised at cost.

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

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

#### Subsequent measurement:

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

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

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

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the earlier of the date that the asset is classified as held for sale (or included a disposal group that is classified as held for sale) in accordance with the standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations and the date that the asset is derecognised.

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

Item	Useful life
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# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.7 Intangible assets (continued)

Computer software

3-30 years

#### Derecognition:

Intangible assets are derecognised:

- on disposal (including a disposal through a non-exchange transaction); or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.8 Heritage assets

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

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

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

#### Recognition

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

#### Initial measurement

Heritage assets are measured at cost.

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

#### Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. It is not expected that the fair values will differ significantly from year to year. Fair value assessments therefore will be done with sufficient regularity.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

The heritage assets of the entity shall not be depreciated but, the entity assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Heritage assets (continued)

#### Derecognition

The entity derecognises the carrying amount of heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

### 1.9 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in controlled entity is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity.

### 1.10 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.

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.

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;
- 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 favourable to the entity.

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.

# Mangaung Metropolitan Municipality

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## Accounting Policies

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### 1.10 Financial instruments (continued)

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 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.

### Classification

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

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

### Initial recognition

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

The entity recognises financial assets using trade date accounting.

# **Mangaung Metropolitan Municipality**

Consolidated Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

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### **1.10 Financial instruments (continued)**

#### **Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

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

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

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

#### Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

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

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

#### Impairment and uncollectibility of financial assets

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

The entity assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), an entity includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment.

For collective assessment of impairment, assets with similar credit risk characteristics are grouped together. The credit risk characteristics are indicative of the debtors' ability to pay all amounts due according to the contractual terms.



# Mangaung Metropolitan Municipality

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## Accounting Policies

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### 1.10 Financial instruments (continued)

In making this assessment management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
  - \* the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments); or
  - \* National or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
- Accounts in arrears for a period longer than the initial estimated repayment period
- Accounts with arrears of over 90 days showing no repayments in the last financial year
- Accounts handed over for collection
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (example: an increased number of late payments)
- A breach in contract, such as a default in interest or capital payments

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment. The information which management will utilize should adequately reflect the current status, relating to the collectability of the receivables.

Refer to notes 6, 7 and 8 for the impact of the above application.

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

# Mangaung Metropolitan Municipality

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## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

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

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

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

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

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

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

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

##### Financial liabilities

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

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

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

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Financial instruments (continued)

#### Presentation

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

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

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

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

### 1.11 Advance Receipts

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

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

All receipts received in advance which cannot be directly linked to a service are classified as non-exchange transactions as no approximate equal value is exchanged between the parties.

Refer to note 18 Payables from non-exchange transactions where these receipts in advance are disclosed.

### 1.12 Tax

#### VAT

The entity accounts for VAT on the payment basis. The entity is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

### 1.13 Leases

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

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

#### Finance leases - lessee

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

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

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

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

#### Operating leases - lessor

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

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

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

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

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.13 Leases (continued)

#### Operating leases - lessee

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

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

### 1.14 Inventories

The entity recognises inventories as an asset when,

- (a) it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- (b) the cost of the inventory can be measured reliably.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

### 1.15 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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### 1.15 Impairment of cash-generating assets (continued)

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

All assets of the entity are accounted for as non cash-generating assets.

#### Identification

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

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

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

#### Value in use

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

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

#### Discount rate

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

#### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

# Mangaung Metropolitan Municipality

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## Accounting Policies

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### 1.15 Impairment of cash-generating assets (continued)

#### Cash-generating units

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

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

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

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

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

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

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

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

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

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

#### Reversal of impairment loss

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

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

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

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

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

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

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

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

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

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### 1.15 Impairment of cash-generating assets (continued)

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.16 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

#### Identification

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

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

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

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### 1.16 Impairment of non-cash-generating assets (continued)

#### Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approaches based on the availability of data and the nature of the impairment:

#### Depreciated replacement cost approach

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

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

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

#### Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

#### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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



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## Accounting Policies

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### 1.16 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

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

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

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

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

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

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.17 Employee benefits

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

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

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

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

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Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

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

#### Post-employment benefits

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

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

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## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

The entity accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

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

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

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

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

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

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

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

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

# Mangaung Metropolitan Municipality

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## Accounting Policies

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### 1.17 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:

\* those changes were enacted before the reporting date; or

\* past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

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

Actuarial assumptions are included in the note of defined benefit obligation plan.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.17 Employee benefits (continued)

#### Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

### 1.18 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 55.

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## Accounting Policies

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### 1.18 Provisions and contingencies (continued)

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

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

### Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.15 and 1.16.

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

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

### 1.19 Revenue from exchange transactions

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

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

Revenue from exchange transactions consists primarily of services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

#### Measurement

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

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.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.19 Revenue from exchange transactions (continued)

#### Sale of goods

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

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

#### Rendering of services

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

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Rendering of services consist out of solid waste, sanitation, sewerage, electricity and water services.

Prepaid electricity revenue is recognised at the point of sale. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Pre-paid electricity sales are reconciled on a monthly basis and the sum of the monthly sales provides the total sales for the year. The financial year is divided in two seasons based on the application of tariffs with the seasons being summer (1 September – 31 May) and winter (1 June to 31 August). The deferred portion of revenue is accounted for by an adjustment for units not consumed at year end. This adjustment is based on the average consumption history, multiplied by the weighted average cost of units sold in June. Average consumption in units is determined per active prepaid meter using a trend analysis of historical consumer purchase data per meter for the months of May, June and July. The deferred portion of revenue is the amount by which the actual prepaid electricity sold for the month of June exceeds the average consumption calculated.

#### Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

#### Rental Income

Revenue arising from the use by others of entity assets yielding rental income is recognised when:

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

Lease revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term in accordance with the accounting policy on Leases 1.13 .

### 1.20 Revenue from non-exchange transactions

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

Revenue from non-exchange transactions consists primarily of grants from National- and Provincial Government and property rates.

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

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.20 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

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

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

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

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

#### Recognition

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

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

#### Measurement

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

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

#### Taxes

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

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

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

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



# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.20 Revenue from non-exchange transactions (continued)

#### Transfers

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

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

#### Debt forgiveness and assumption of liabilities

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

#### Fines

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

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

#### Gifts and donations, including goods in-kind

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

#### Services in-kind

Services in-kind are not recognised.

#### Concessionary loans received

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.21 Conditional grants and receipts

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

### 1.22 Investment income

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

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.23 Borrowing costs

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

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

### 1.24 Bonus pensionable service and medical boardings

The benefits of Bonus Pensionable Service and Medical Boardings are afforded to members of certain funds in terms of the applicable rules of the relevant funds. The payments are accounted for in the statement of financial performance in the period in which it is paid.

### 1.25 Comparative figures

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

The comparative figures have been restated

### 1.26 Offsetting

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

### 1.27 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Detailed disclosures are made in note 63 to the financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

### 1.28 Fruitless and wasteful expenditure

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

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

Detailed disclosures are made in note 64 to the financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

### 1.29 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act, (Act No. 56 of 2003) is expenditure incurred by a municipality or municipal entity that is not in accordance with or in contravention of:

- a) the MFMA, and which has not been condoned in terms of section 170;
- b) the Municipal Systems Act, (Act 32 of 2000) and which has not been condoned in terms of that act;
- c) the Public Office-Bearers Act, (Act No.20 of 1998)
- d) the requirements of a supply chain management policy of the municipality or municipal entity or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

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.

Detailed disclosures are made in note 65 to the financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.30 Internal reserves

#### Self insurance reserve

The entity has a Self Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The balance of the Self Insurance Reserve is determined based on the insurance risk carried by the entity, which is calculated by the council's insurance broker and is reinstated or increased by a transfer from the accumulated surplus/(deficit).

Claims are settled by transferring a corresponding amount from the self insurance reserve to the accumulated surplus.

#### Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Reserve is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is determined by the Compensation Commissioner. The entity is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the entity is mandated to establish its own fund and administers this fund in terms of the Compensation for Occupational Injuries and Diseases Act, (Act 130 of 1993).

Amounts are transferred to the COID reserve from the accumulated surplus/(deficit) based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus/(deficit).

### 1.31 Revaluation reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

### 1.32 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements. GRAP 18 has not been considered in developing these policies

### 1.33 Budget information

The entity is 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 entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by nature classification. The approved budget and the annual financial statements are not prepared on the same classification basis.

The approved budget covers the fiscal period from 01 July 2014 to 30 June 2015.

The annual budget figures included in the annual financial statements are for the entity and do not include budget information relating to subsidiaries or associates. The separate budget for the entity has been recompiled for the presentation in the annual financial statements. The recompilation does not constitute changes or revisions of the consolidated budget as approved by the Council.

The statement of comparison of budget and actual amounts has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note 70 to the annual financial statements.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.34 Related parties

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

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity, including those charged with governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

The entity regards all individuals from the level of Accounting Officer and Council members as well as managers and directors reporting directly to the accounting officer as key management per the definition of the financial reporting standard.

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

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

### 1.35 Housing development arrangements

The entity grants the right to use properties to third parties by means of contractual agreements. These agreements are classified into two categories, namely the FRESHCO Agreement and the Land Availability Agreements.

The following properties, owned by the entity, are used by third parties to provide public services subject to the entity's control of the asset.

- Brandwag Property;
- Hillside View Property;
- Vista Park Extension 2 Property; and
- Vista Park Extension 3 Property.

These agreements are binding arrangements between the entity and the third party in which:

- The third party uses the specified asset to provide a public service on behalf of the entity for a specified period of time; and
- The third party is compensated for its services over the period of the arrangement, and/or upon completion of conditions specified within the contract, and/or upon the completion of the project.

The Properties are assets used to provide public services, in an arrangement, that:

- Are provided by the entity which:
  - Are existing assets of the entity; or
  - Are upgrade to existing assets of the entity; or
- Are provided by the third party which:
  - Are existing assets of the third party; or
  - Are constructed, developed, or acquired from a third party.

The entity shall recognize an asset provided by the third party and/or an upgrade to an existing asset of the entity if:

- The entity controls or regulates what services the third party must provide with the asset, to whom it must provide them, and at what price; and
- The entity controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

The entity shall initially measure the assets recognised at fair value.

The assets received shall subsequently be accounted for in accordance with the GRAP Standard applicable to the classification of the asset received. Including but not limited to GRAP 16 – Investment Property; GRAP 17 - Property, Plant, and Equipment; and GRAP 12 – Inventory.

Where the entity recognises an asset, the entity shall also recognise a liability.

The liability recognised shall be initially measured at the same amount as the asset, adjusted by the amount of any other consideration (e.g. cash) from the entity to the third party, or from the third party to the entity.

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the third party for the construction, development, acquisition, or upgrade of the property, and grants the third party the right to earn revenue from other third-party users or another revenue-generating asset, the entity shall account for the liability recognised as the unearned portion of the revenue arising from the exchange of assets between the entity and the third party.

The entity shall recognize revenue and reduce the liability recognised according to the economic substance of the arrangement.

The entity shall account for the revenues from the third party in accordance with GRAP 9 - Revenue from Exchange Transactions.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.36 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand 2015 2014

### 2. Changes in accounting policy

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 100, Discontinued operations

#### GRAP 100, Discontinued operations

During the year, the entity changed its accounting policy with respect to the treatment of Non-current assets held for sale in order to conform with the benchmark treatment of GRAP 100. The entity now accounts for Non-current assets held for sale under Property, plant and equipment. The effect of the change is as follows:

#### Statement of financial position

Increase in Property, plant and equipment	-	7,560,000
Decrease in Non-current assets held for sale and assets of disposal groups	-	(7,560,000)
	-	-

### 3. New standards and interpretations

#### 3.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>• GRAP 100, Discontinued operations</li> </ul>	01 April 2014	The impact of the amendment is set out in note 2 changes in accounting policy

#### 3.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>• GRAP 109, Accounting by Principles and Agents</li> </ul>	No date has been determined	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>• GRAP 18: Segment Reporting</li> </ul>	01 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements. This is due to the fact that if consolidated financial statements are prepared, segment reporting only needs to be applied to the consolidated set of financial statements. Municipalities, municipal entities, trading entities, Parliament and the Provincial Legislatures are not required to apply or early adopt GRAP 18 Segment Reporting as the Minister of Finance has not yet determined the effective date for application by these entities
<ul style="list-style-type: none"> <li>• GRAP 105: Transfers of functions between entities under common control</li> </ul>	01 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

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### 3. New standards and interpretations (continued)

• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	The implementation of this standard may impact on the financial statements. Identifiable assets acquired and liabilities assumed will be recognised at fair value, and any difference shall be recognised in the accumulated surplus. Additional disclosures will be required in the financial statements regarding the transfer of functions.
• GRAP 107: Mergers	01 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 20: Related parties	01 April 2016	The main impact is expected to effect the disclosure of a more disaggregated councillor remuneration.
• IGRAP 11: Consolidation – Special purpose entities	No date has been determined	It is unlikely that the standard will have a material impact on the annual financial statements.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	No date has been determined	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	No date has been determined	It is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP32: Service Concession Arrangements: Grantor	No date has been determined	The most significant change relates to the separate disclosure of service concession assets included in Property, Plant and Equipment. Further it is unlikely that the standard will have a material impact on the annual financial statements.
• GRAP108: Statutory Receivables	No date has been determined	It is unlikely that the standard will have a material impact on the annual financial statements.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No date has been determined	The impact of the amendment is not material and it is unlikely that the standard will have a material impact on the annual financial statements.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The most significant change relates to the allowed adjustment to the accounting policies from Fair Value or Revaluation Model to the Cost Model for Investment Property and Property, plant and equipment, Intangible assets and Heritage Assets. It is unlikely that this directive will have a material impact on the annual financial statements.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>4. Inventories</b>		
Water in reservoirs	67,137,369	66,273,473
Water in pipes	1,591,816	1,319,289
Maintenance materials	467,974	370,454
Unsold Properties Held for Resale	948,999	220,396
Fuel (Diesel, Petrol)	231,709,212	186,988,427
Stores, materials and fuels	1,989,782	1,189,407
	7,688,982	6,372,611
	<b>311,534,134</b>	<b>262,734,057</b>
<b>4.1 Inventory recognised as an expense</b>		
Inventories recognised as an expense during the year	10,601,665	7,335,685
<b>Inventory pledged as security</b>		
No inventory was pledged as security for any financial liability.		
<b>5. Other receivables from non-exchange transactions</b>		
Fines receivables	149,634,600	77,268,182
Impairment of Fines receivables	(147,297,357)	(73,752,531)
	<b>2,337,243</b>	<b>3,515,651</b>
Fines Receivables consists out of debtors raised from Fines Revenue 34		
<b>Other receivables from non-exchange pledged as security</b>		
None of the receivables were pledged as security for any financial liability.		
<b>Credit quality of other receivables from non-exchange transactions</b>		
The credit quality of other receivables from non-exchange transactions that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
None of the financial assets that are fully performing have been renegotiated in the last year.		
<b>Other receivables from non-exchange transactions impaired</b>		
As of 30 June 2015, other receivables from non-exchange transactions of R 147,297,357 (2014: R 73,752,531) were impaired and provided for.		
The amount of the provision was R 147,297,357 as of 30 June 2015 (2014: R 73,752,531).		
<b>Reconciliation of provision for impairment of other receivables from non-exchange transactions</b>		
Opening balance	73,752,531	-
Provision for impairment	73,544,826	73,752,531
	<b>147,297,357</b>	<b>73,752,531</b>



# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>6. Other receivables from exchange transactions</b>		
DOE Grant SFS	5,087,728	5,087,728
Deposits	725,341	710,779
Interest on investments	26,204	425,416
Kopanong Local Municipality	14,618,595	10,029,090
Mohokare Local Municipality	18,384,364	10,248,610
Naledi Local Municipality	15,434,905	12,223,565
Other receivables	5,240,851	1,411
Prepaid expenses	509,299	211,568
Receipt reversal	2,668	1,522,889
Staff leave days receivable	1,294,038	420,690
Vendors	815,238	22,735
Sundry debtors	40,488,472	31,980,964
Sundry debtors - Impairment	(14,255,929)	(7,575,331)
	<b>88,371,774</b>	<b>65,310,114</b>

### Other receivables pledged as security

None of the receivables were pledged as security for any financial liability.

### Credit quality of other receivables

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

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

### Other receivables past due but not impaired:

Other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 3,701,341 (2014: R 7,137,027) were past due but not impaired.

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

1 month past due	2,314,914	1,430,715
2 months past due	1,386,427	785,143
3 months past due	-	4,921,169

### Other receivables impaired

As of 30 June 2015, other receivables of R 14,255,930 (2014: R 7,575,331) were impaired and provided for.

The amount of the provision was R 14,255,930 as of 30 June 2015 (2014: R 7,575,331).

The ageing of these loans is as follows:

Over 3 months	14,255,930	7,575,331
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### Reconciliation of provision for impairment of other receivables

Opening balance	7,575,331	40,260,398
Provision for impairment	27,369,210	5,924
Amounts written off as uncollectible	(20,688,611)	(32,690,991)
	<b>14,255,930</b>	<b>7,575,331</b>

Sundry receivables consists out of debtors raised from other income recognised (refer to note 37).

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the Other receivables from exchange transactions.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>7. Consumer receivables from non-exchange transactions</b>		
Rates	377,650,411	347,938,313
<b>Rates</b>		
Rates - Gross balance	930,687,329	724,871,609
Rates - Impairment	(553,036,918)	(376,933,296)
	<b>377,650,411</b>	<b>347,938,313</b>
<b>Rates Ageing</b>		
Current (0 - 30 days)	59,950,027	127,677,910
31 - 60 days	47,711,977	46,322,075
61 - 90 days	41,033,025	44,133,183
91+ days	781,992,300	506,738,441
Subtotal	930,687,329	724,871,609
Less: Impairment	(553,036,918)	(376,933,296)
	<b>377,650,411</b>	<b>347,938,313</b>
<b>Summary by customer classification</b>		
<b>Residential and sundry</b>		
Current (0 - 30 days)	23,664,290	44,322,257
31 - 60 days	15,388,554	14,811,507
61 - 90 days	12,196,922	13,662,739
91+ days	302,402,940	239,224,076
Subtotal	353,652,706	312,020,579
Less: Impairment	(286,821,996)	(234,862,394)
	<b>66,830,710</b>	<b>77,158,185</b>
<b>Business / Commercial</b>		
Current (0 - 30 days)	27,551,034	46,162,647
31 - 60 days	19,464,416	14,729,248
61 - 90 days	16,356,896	13,794,338
91+ days	301,205,551	161,275,910
Subtotal	364,577,897	235,962,143
Less: Impairment	(266,214,922)	(142,070,902)
	<b>98,362,975</b>	<b>93,891,241</b>
<b>Government</b>		
Current (0 - 30 days)	8,734,703	37,193,006
31 - 60 days	12,859,007	16,781,320
61 - 90 days	12,479,207	16,676,106
91+ days	178,383,809	106,238,455
Subtotal	212,456,726	176,888,887
	<b>212,456,726</b>	<b>176,888,887</b>

### Consumer receivables from non-exchange transactions pledged as security

None of the consumer receivables from non-exchange transactions were pledged as security for any financial liability.

### Credit quality of consumer receivables from non-exchange transactions

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

The credit quality of consumer receivables were evaluated in terms of the risk group and ageing of the individual receivable account.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

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### 7. Consumer receivables from non-exchange transactions (continued)

#### Consumer receivables from non-exchange transactions past due but not impaired

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 148,695,029 (2014: R 272,735,769) were past due but not impaired.

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

1 month past due	59,950,027	49,979,769
2 months past due	47,711,977	46,323,102
3 months past due	41,033,025	176,432,898

#### Consumer receivables from non-exchange transactions impaired

As of 30 June 2015, other receivables from non-exchange transactions of R 553,036,918 (2014: R 376,933,296) were impaired and provided for.

The ageing of these loans is as follows:

Over 3 months	553,036,918	376,933,296
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#### Reconciliation of provision for impairment of consumer receivables from non-exchange transactions

Opening balance	376,933,296	322,537,417
Provision for impairment	174,443,076	61,680,202
Amounts written off as uncollectible	1,660,546	(7,284,323)
	<b>553,036,918</b>	<b>376,933,296</b>

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the consumer receivables from non-exchange transactions.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014	
<b>8. Consumer receivables from exchange transactions</b>			
<b>Net balance</b>			
Water	308,954,683	263,159,951	
Electricity	217,243,792	175,315,180	
Sewerage	91,935,513	78,864,424	
Refuse	23,022,668	38,103,112	
Housing rental	1,665,149	1,194,040	
Unallocated deposits	220,252	220,252	
	<b>643,042,057</b>	<b>556,856,959</b>	
<b>Net balance reconciliation 2015</b>			
	Gross balance	Impairment	Net balance
Water	1,345,940,504	(1,036,985,821)	308,954,683
Electricity	627,432,954	(410,189,162)	217,243,792
Sewerage	306,011,275	(214,075,762)	91,935,513
Refuse	129,054,630	(106,031,962)	23,022,668
Housing rental	8,587,589	(6,922,440)	1,665,149
Unallocated deposits	220,252	-	220,252
	<b>2,417,247,204</b>	<b>(1,774,205,147)</b>	<b>643,042,057</b>
<b>Net balance reconciliation 2014</b>			
	Gross balance	Impairment	Net balance
Water	1,046,777,385	(783,617,434)	263,159,951
Electricity	577,827,457	(402,512,277)	175,315,180
Sewerage	237,384,326	(158,519,902)	78,864,424
Refuse	101,036,663	(62,933,551)	38,103,112
Housing rental	5,029,281	(3,835,241)	1,194,040
Unallocated deposits	220,252	-	220,252
	<b>1,968,275,364</b>	<b>(1,411,418,405)</b>	<b>556,856,959</b>
<b>Water</b>			
Current (0 -30 days)	97,232,685	115,054,219	
31 - 60 days	51,346,645	46,081,329	
61 - 90 days	49,492,701	37,099,403	
91+ days	1,130,325,023	827,231,667	
Meter reading estimate	17,543,450	21,310,767	
Subtotal	1,345,940,504	1,046,777,385	
Less: Impairment	(1,036,985,821)	(783,617,434)	
	<b>308,954,683</b>	<b>263,159,951</b>	
<b>Electricity</b>			
Current (0 -30 days)	102,669,867	119,131,225	
31 - 60 days	43,078,457	56,381,556	
61 - 90 days	12,040,072	24,451,275	
91 + days	317,424,697	246,021,921	
Meter reading estimate	154,421,693	132,408,765	
Discounting	(535,498)	(115,778)	
Accrual prepaid sales	(39,983)	-	
Transferred to non-current receivables	(1,626,351)	(451,507)	
Subtotal	627,432,954	577,827,457	
Less: Impairment	(410,189,162)	(402,512,277)	
	<b>217,243,792</b>	<b>175,315,180</b>	
<b>Sewerage</b>			
Current (0 -30 days)	18,997,461	31,163,474	
31 - 60 days	13,660,769	10,801,230	
61 - 90 days	12,131,906	9,675,179	
91 + days	261,221,139	185,744,443	
Subtotal	306,011,275	237,384,326	
Less: Impairment	(214,075,762)	(158,519,902)	
	<b>91,935,513</b>	<b>78,864,424</b>	

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>8. Consumer receivables from exchange transactions (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	6,562,370	18,273,244
31 - 60 days	4,317,179	7,442,723
61 - 90 days	3,821,589	7,094,731
91 + days	114,353,492	68,225,965
Subtotal	129,054,630	101,036,663
Less: Impairment	(106,031,962)	(62,933,551)
	<b>23,022,668</b>	<b>38,103,112</b>
<b>Housing rental</b>		
Current (0 -30 days)	259,446	453,794
31 - 60 days	396,737	227,946
61 - 90 days	386,794	216,666
91 + days	7,544,612	4,130,875
Subtotal	8,587,589	5,029,281
Less: Impairment	(6,922,440)	(3,835,241)
	<b>1,665,149</b>	<b>1,194,040</b>
<b>Unallocated deposits</b>		
91 + days	220,252	220,252
<b>Summary of debtors by customer classification</b>		
<b>Residential and sundry</b>		
Current (0 -30 days)	111,869,382	134,726,512
31 - 60 days	64,243,058	63,939,377
61 - 90 days	56,735,126	50,358,185
91 + days	1,443,876,664	1,097,092,134
Meter reading estimate	171,965,144	153,719,532
	1,848,689,374	1,499,835,740
Less: Allowance for impairment	(1,255,189,166)	(940,832,193)
	<b>593,500,208</b>	<b>559,003,547</b>
<b>Business/ Commercial</b>		
Current (0 -30 days)	83,825,311	105,430,904
31 - 60 days	30,619,915	37,711,407
61 - 90 days	10,465,413	18,939,439
91 + days	229,129,794	153,532,393
	354,040,433	315,614,143
Less: Allowance for impairment	(108,826,818)	(68,073,935)
	<b>245,213,615</b>	<b>247,540,208</b>
<b>Government</b>		
Current (0 -30 days)	30,027,134	43,918,537
31 - 60 days	17,936,815	19,284,001
61 - 90 days	10,672,522	9,239,630
91 + days	157,862,506	80,730,345
	<b>216,498,977</b>	<b>153,172,513</b>
<b>Total</b>		
Current (0 -30 days)	225,721,829	284,075,954
31 - 60 days	112,799,787	120,934,785
61 - 90 days	77,873,062	78,537,254
91 + days	1,830,868,963	1,331,354,872
Meter reading estimate - Water	17,543,450	21,310,767
Meter reading estimate - Electricity	154,421,693	132,408,765
Unallocated deposits	220,252	220,252
Discounting	(535,498)	(115,778)

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>8. Consumer receivables from exchange transactions (continued)</b>		
Accrual prepaid sales	(39,983)	-
Transferred to non-current receivables	(1,626,351)	(451,507)
	<u>2,419,449,036</u>	<u>1,968,842,649</u>
Less: Allowance for impairment	(1,774,205,147)	(1,411,418,405)
	<u><b>643,042,057</b></u>	<u><b>556,856,959</b></u>

### Consumer receivables from exchange transactions pledged as security

None of the consumer receivables from exchange transactions have been pledged as security for any financial liabilities.

### Credit quality of consumer receivables from exchange transactions

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

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Consumer receivables are only due after 30 days. Interest shall be paid on accounts which have not been paid within thirty days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

### Consumer receivables past due but not impaired

Consumer receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R 331,606,508 (2014: R 268,876,722) were past due but not impaired.

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

1 month past due	133,561,534	67,248,540
2 months past due	111,138,030	64,545,076
3 months past due	86,906,944	137,083,106

### Consumer receivables impaired

As of 30 June 2015, consumer receivables of R 1,774,205,147 (2014: R 1,411,418,405) were impaired and provided for.

The amount of the provision was R 1,774,205,147 as of 30 June 2015 (2014: R 1,411,418,405).

The ageing of these loans is as follows:

Over 3 months	1,774,205,147	1,411,418,405
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### Reconciliation of allowance for impairment of consumer receivables

Opening balance	1,411,418,405	1,255,533,478
Allowance for impairment	428,529,405	224,785,200
Amounts written off as uncollectable	(65,742,663)	(68,900,273)
	<u><b>1,774,205,147</b></u>	<u><b>1,411,418,405</b></u>

Due to the limitations on the financial system it is impractical to disclose the impaired interest on the consumer receivables from exchange transactions.

### 9. VAT receivable

VAT	28,550,924	-
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VAT is payable on the payment basis. VAT is paid over to the South African Revenue Service (SARS) only once payment is received from debtors.

Refer to note 21 for details regarding the VAT payable as at 30 June 2014.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

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### 10. Investments

#### Bank investments

Nedbank	139,614,679	62,320,938
First National Bank	107,303,639	62,278,735
ABSA	66,544,328	61,959,337
	<b>313,462,646</b>	<b>186,559,010</b>

#### Nedbank

The investment is a short-term fixed deposit for a period of 365 days which earns interest at 7.40%.

#### First National Bank

The investment is a short-term fixed deposit for a period of 365 days which earns interest at 7.07%.

#### ABSA

The investment is a short-term fixed deposit for a period of 365 days which earns interest at 7.40%

### 11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	127,549	115,849
Bank balances	97,439,007	72,625,095
Short-term deposits	264,597,363	379,526,668
	<b>362,163,919</b>	<b>452,267,612</b>

An unlimited surety is provided by Free State Provincial Government, National Treasury and the Development Bank of South Africa.

The total of the overdraft facility available to the Mangaung Metropolitan Municipality is R 50,000,000 (2014: R 50,000,000)

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

#### Credit rating of institutions where cash is held

F1+	362,036,370	452,151,763
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#### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID reserve	32	10,628,620	8,934,694
The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.			

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

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### 11. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	30 June 2014	30 June 2013	30 June 2015	30 June 2014	30 June 2013
ABSA - Primary account - 470 000 465	72,753,889	27,491,702	46,586,845	72,753,889	30,910,107	48,690,127
ABSA - Fresh Produce - 470 001 348	2,848,076	2,043,264	3,833,927	2,848,076	2,043,264	3,833,927
ABSA - Direct deposits - 470 001 380	-	-	-	526,222	-	673,774
ABSA Bank - Cheque account - 405 883 3582	18,939,560	30,473,525	72,363,124	19,406,828	34,324,866	105,476,575
ABSA Bank - Cheque account - 405 513 3721	289	55	528,653	289	55	526,034
ABSA Bank - Cheque account - 405 406 5339	79,266	142,041	257,714	79,266	142,041	237,547
ABSA Bank - Cheque account - 47 000 1402	2,243,518	7,032,350	2,453,152	2,189,938	6,978,770	1,408,119
ABSA Bank - Cheque account - 405 453 0924	17,779	8,424	1,335,059	17,779	(6,530)	1,308,567
ABSA Bank - Cheque account - 407 820 9583	1,304,309	202,707	19,805,133	(430,655)	(1,795,792)	11,503,501
ABSA Bank - Cheque account - 408 052 2070	21,268	2,344	14,176	21,268	21,344	14,176
ABSA Bank - Cheque account - 408 052 1896	26,106	6,970	145	26,106	6,970	145
<b>Total</b>	<b>98,234,060</b>	<b>67,403,382</b>	<b>147,177,928</b>	<b>97,439,006</b>	<b>72,625,095</b>	<b>173,672,492</b>

### Summary of Short-term deposits held

Short-term deposits held with ABSA	131,801,272	300,843,747
Short-term deposits held with FNB	7,088,839	7,933,807
Short-term deposits held with Nedbank	4,057,570	32,808,933
Short-term deposits held with Standard Bank	121,649,682	37,940,181
	<b>264,597,363</b>	<b>379,526,668</b>



# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

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### 12. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,670,320,863	-	1,670,320,863	1,676,857,863	-	1,676,857,863

#### Reconciliation of investment property - 2015

Investment property	Opening balance	Disposals	Total
	1,676,857,863	(6,537,000)	1,670,320,863

#### Reconciliation of investment property - 2014

	Opening balance	Additions	Disposals	WIP Additions	Fair value adjustment	Total
Investment property	1,664,741,070	2,470,000	(1,414,000)	2,613,363	8,447,430	1,676,857,863

#### Pledged as security

None of the properties were pledged as security for any financial liability.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the entity.

Refer to Appendix B for further details on the movement of investment property.

Due to the limitations of the financial system it was impractical to disclose the expenditure incurred relating to the Investment Property.

#### Details of valuation

The investment properties were revalued with reference to comparable market data where available as well as information at the deeds office.

The entity's investment properties were revalued at 30 June 2014 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 13. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,404,611,103	-	1,404,611,103	1,409,974,069	-	1,409,974,069
Buildings	1,297,281,894	(73,276,629)	1,224,005,265	1,263,386,882	(49,511,218)	1,213,875,664
Roads Infrastructure	2,996,004,184	(1,074,512,874)	1,921,491,310	2,977,476,095	(860,548,277)	2,116,927,818
Water and Sanitation Infrastructure	3,714,841,005	(871,750,202)	2,843,090,803	3,287,241,119	(683,346,978)	2,603,894,141
Work in Progress Infrastructure	988,635,576	-	988,635,576	635,984,724	-	635,984,724
Electrical Infrastructure	3,753,551,377	(293,130,812)	3,460,420,565	2,477,431,639	(629,925,326)	1,847,506,313
Community	1,510,093,476	(667,469,974)	842,623,502	1,423,851,500	(587,122,215)	836,729,285
Other property, plant and equipment	546,180,397	(168,512,069)	377,668,328	490,353,661	(134,786,926)	355,566,735
Assets held for sale	14,650,000	-	14,650,000	7,560,000	-	7,560,000
<b>Total</b>	<b>16,225,849,012</b>	<b>(3,148,652,560)</b>	<b>13,077,196,452</b>	<b>13,973,259,689</b>	<b>(2,945,240,940)</b>	<b>11,028,018,749</b>

### Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	WIP Additions	WIP Transfers to Additions	Revaluations	Transfers to Other classes	Depreciation	Impairment loss	Total
Land	1,409,974,069	1,577,534	-	-	-	2,299,500	(9,240,000)	-	-	1,404,611,103
Buildings	1,213,875,664	99,727,801	-	19,438,627	(99,474,582)	26,528,789	-	(36,091,034)	-	1,224,005,265
Roads Infrastructure	2,116,927,818	20,282,034	-	-	-	-	-	(215,718,542)	-	1,921,491,310
Water and Sanitation Infrastructure	2,603,894,141	427,720,260	-	-	-	-	-	(186,510,721)	(2,012,877)	2,843,090,803
Work in Progress Infrastructure	635,984,724	-	-	794,384,034	(441,733,182)	-	-	-	-	988,635,576
Electrical Infrastructure	1,847,506,313	166,787,217	(10,728,770)	85,601,175	-	1,423,204,144	-	(51,949,514)	-	3,460,420,565
Community	836,729,285	22,068,293	(841,578)	102,137,740	(20,843,413)	(15,968,287)	-	(80,140,474)	(518,064)	842,623,502
Other property, plant and equipment	355,566,735	67,469,016	(1,178,363)	-	-	-	-	(38,596,508)	(5,592,552)	377,668,328
Assets held for sale	7,560,000	-	(2,150,000)	-	-	-	9,240,000	-	-	14,650,000
<b>Total</b>	<b>11,028,018,749</b>	<b>805,632,155</b>	<b>(14,898,711)</b>	<b>1,001,561,576</b>	<b>(562,051,177)</b>	<b>1,436,064,146</b>	<b>-</b>	<b>(609,006,793)</b>	<b>(8,123,493)</b>	<b>13,077,196,452</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

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### 13. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	WIP Additions	WIP Transferred to Additions	Revaluations	Transfers to/from Other classes	Depreciation	Impairment reversal	Total
Land	1,378,112,074	31,861,995	-	-	-	-	-	-	-	1,409,974,069
Buildings	1,235,124,619	60,496,468	-	7,898,637	(55,220,091)	-	-	(34,423,969)	-	1,213,875,664
Roads Infrastructure	1,960,691,894	321,449,268	(12,050,863)	-	-	-	-	(153,162,481)	-	2,116,927,818
Water and Sanitation Infrastructure	2,497,232,742	206,422,711	-	-	-	-	23,214,740	(122,976,052)	-	2,603,894,141
Work in Progress Infrastructure	520,167,050	-	-	453,448,731	(337,631,057)	-	-	-	-	635,984,724
Electrical Infrastructure	1,740,661,578	91,764,567	-	90,236,959	-	-	-	(75,156,791)	-	1,847,506,313
Community	772,143,004	65,273,687	(296,459)	98,065,531	(54,486,209)	10,208,853	-	(54,179,122)	-	836,729,285
Other property, plant and equipment	185,888,771	206,092,451	(9,507,321)	-	-	-	-	(27,238,087)	330,921	355,566,735
Assets held for sale	7,560,000	-	-	-	-	-	-	-	-	7,560,000
	<b>10,297,581,732</b>	<b>983,361,147</b>	<b>(21,854,643)</b>	<b>649,649,858</b>	<b>(447,337,357)</b>	<b>10,208,853</b>	<b>23,214,740</b>	<b>(467,136,502)</b>	<b>330,921</b>	<b>11,028,018,749</b>

Included in Property, plant and equipment are 79 assets with a nil carrying value at year end. The cost price of these assets amounts to R3,328,246. These assets are not significant to the entity's operations and service delivery objectives.

Included in Property, plant and equipment are 16 fully depreciated assets no longer in use by the municipality. The cost price of these assets amounts to R114,654,248.85 and consist of closed landfill sites and quarries.

Refer to Appendix B for further details related to PPE

#### Pledged as security

Carrying value of assets pledged as security:

#### Assets subject to finance lease (Net carrying amount)

Motor vehicles	145,176,380	135,224,397
Leasehold improvements	988,635,576	635,984,724
Centlec (SOC) Ltd leased PPE	1,704,729	285,002
Office equipment	-	1,626,114
	<b>1,135,516,685</b>	<b>773,120,237</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

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### 13. Property, plant and equipment (continued)

#### Revaluations

The effective date of the revaluations of the entity was 30 June 2013. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The value of properties was determined based on the market values and the information obtained from the deed's office.

The valuation was performed after the following factors were taken into account:

- the useful lives and;
- the condition of the building.

There are no restrictions on the distribution of the revaluation surplus.

The effective date of the revaluations for land and buildings of the municipal entity was year end 30 June 2015. Revaluations for land and buildings were performed by the independent valuer, Mr. Theunis Hendrik Myburgh & Mr. Raymond Taylor, professional valuers in terms of the Valuer's Act (Act 23 of 1982) of Equity Valuers. Equity Valuers is not connected to the entity.

The effective date of the revaluations for the infrastructure assets of the municipal entity was year end 30 June 2015. Revaluations for infrastructure assets was performed by an independent valuer, Mr. Frederick Coenraad Edward van der Merwe, BSc(Electrical), Professional Engineer (Reg.no 9770135), Engineering Council of South Africa and member of the South African Institute of Electrical Engineers (Reg.no 11180) from FCE Consulting Engineers. FCE Consulting Engineers is not connected to the municipal entity.

The valuations were performed using the depreciated replacement costs method.

#### Reconciliation of Work-in-Progress 2015

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	775,673,303	77,071,873	92,817,448	945,562,624
Additions/capital expenditure	899,219,105	102,137,740	19,438,627	1,020,795,472
Transferred to completed items	(462,879,098)	(20,843,413)	(99,474,582)	(583,197,093)
	<b>1,212,013,310</b>	<b>158,366,200</b>	<b>12,781,493</b>	<b>1,383,161,003</b>

#### Reconciliation of Work-in-Progress 2014

	Included within Infrastructure	Included within Community	Included within Buildings	Total
Opening balance	569,618,670	33,492,552	140,138,902	743,250,124
Additions/capital expenditure	543,685,690	98,065,531	7,898,637	649,649,858
Transferred to additions/other assets	(337,631,057)	(54,486,209)	(55,220,091)	(447,337,357)
	<b>775,673,303</b>	<b>77,071,874</b>	<b>92,817,448</b>	<b>945,562,625</b>

#### Deemed cost

Deemed cost was determined using depreciated replacement cost.

### 14. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	55,934,997	(23,538,266)	32,396,731	39,103,292	(15,574,362)	23,528,930
Servitudes	84,765,627	-	84,765,627	84,745,932	-	84,745,932
<b>Total</b>	<b>140,700,624</b>	<b>(23,538,266)</b>	<b>117,162,358</b>	<b>123,849,224</b>	<b>(15,574,362)</b>	<b>108,274,862</b>

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### 14. Intangible assets (continued)

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	WIP Transferred to Additions	Amortisation	Total
Computer software	23,528,930	20,118,702	(562,999)	(10,687,902)	32,396,731
Servitudes	84,745,932	19,695	-	-	84,765,627
	<b>108,274,862</b>	<b>20,138,397</b>	<b>(562,999)</b>	<b>(10,687,902)</b>	<b>117,162,358</b>

#### Reconciliation of intangible assets - 2014

	Opening balance	Additions	WIP Additions	Amortisation	Total
Computer software	26,807,778	4,091,090	562,999	(7,932,937)	23,528,930
Servitudes	83,653,943	1,091,989	-	-	84,745,932
	<b>110,461,721</b>	<b>5,183,079</b>	<b>562,999</b>	<b>(7,932,937)</b>	<b>108,274,862</b>

#### Pledged as security

None of the intangible assets has been pledged as security for any financial liabilities.

Refer to Appendix B for further details on the movement of Intangible assets

# Mangaung Metropolitan Municipality

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### 15. Heritage assets

	2015			2014		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	321,656,341	-	321,656,341	321,656,341	-	321,656,341

#### Reconciliation of heritage assets 2015

Heritage assets	Opening balance	Total
	321,656,341	321,656,341

#### Reconciliation of heritage assets 2014

	Opening balance	Transfers	Revaluation increase/ (decrease)	Total
Heritage assets	329,270,803	(9,917,272)	2,302,810	321,656,341

#### Restrictions on heritage assets

No restrictions are placed on any heritage assets.

#### Pledged as security

No heritage assets has been pledged as security for any financial liability.

#### Revaluations

##### Methods and assumptions used in determining fair value

The fair value of heritage assets were determined by an independent valuer as at 30 June 2014.

The fair value of the heritage assets were determined after considering the following conditions:

- The condition of the asset
- The useful life of the asset
- The location of the asset

There are no restrictions on the distribution of the balance of the revaluation reserve to owners of net assets.

Refer to Appendix B for further details on the movement of Heritage assets.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>16. Non-current receivables</b>		
<b>Designated at fair value</b>		
2,535 Unlisted shares - OVK Limited	32,498	22,815
<b>At amortised cost</b>		
Erven loans	8,904,843	9,169,917
Housing selling scheme loans	47,924,746	47,742,835
Cricket stadium	9,372,425	9,466,383
Kopanong Local Municipality	1,629,218	1,841,385
Mohokare Local Municipality	872,545	988,848
Naledi Local Municipality	200,754	309,230
Consumer debtor arrangements	1,626,351	451,507
	70,530,882	69,970,105
Impairment - Erven loans	(8,735,906)	(9,010,111)
Impairment - Housing selling scheme loans	(47,468,253)	(47,723,463)
Impairment - Cricket stadium	(9,372,425)	(9,466,383)
	<b>4,954,298</b>	<b>3,770,148</b>
<b>Total other financial assets</b>	<b>4,986,796</b>	<b>3,792,963</b>
<b>Non-current assets</b>		
Designated at fair value	32,498	22,815
At amortised cost	4,658,753	3,333,204
	<b>4,691,251</b>	<b>3,356,019</b>
<b>Current assets</b>		
At amortised cost	295,545	436,944
<b>Financial assets at fair value</b>		
<b>Fair values of financial assets measured or disclosed at fair value</b>		
Class 1 - Unlisted shares	32,498	22,815
The shares were valued using quoted market prices.		
<b>Fair value hierarchy of financial assets at fair value</b>		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
<b>Level 1</b>		
Class 1 - Unlisted shares	32,498	22,815
<b>Renegotiated terms</b>		
None of the financial assets that are fully performing have been renegotiated in the last year.		

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>16. Non-current receivables (continued)</b>		
<b>Financial assets at amortised cost</b>		
<b>Reconciliation of provision for impairment of financial assets at amortised cost</b>		
<b>Impairment of erven loans</b>		
Opening balance	9,010,111	9,090,752
Unused amounts reversed	(274,205)	(80,641)
	<b>8,735,906</b>	<b>9,010,111</b>
<b>Impairment of housing selling scheme loans</b>		
Opening balance	47,723,462	47,180,954
Provision for impairment	-	542,508
Unused amounts reversed	(255,209)	-
	<b>47,468,253</b>	<b>47,723,462</b>
<b>Impairment of cricket stadium</b>		
Opening balance	9,466,383	9,450,444
Provision for impairment	-	15,939
Unused amounts reversed	(93,958)	-
	<b>9,372,425</b>	<b>9,466,383</b>

### *Erven loans*

Loans were granted to the public for the sale of erven and are repayable on a monthly basis over a maximum period of 5 years, at an interest rate of 1% above the bank rate of the entity. These loans are repayable on a monthly basis and no further loans are granted.

### *Housing selling scheme loans*

Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations over a period of 20 years.

### *Cricket stadium*

The entity has a contract with the Free State Cricket Union for the purchase of the cricket stadium. The loan bears interest at 10% per annum and is repayable on an annual basis over 27 years ending 1 July 2022.

### *Loans to Municipalities*

The capital funding provided to Kopanong, Mohokare and Naledi Local Municipalities by the municipal entity are repayable in monthly installments based on the estimated useful life of the capital assets. The capital advances bears interest at 10%.

### *Consumer debtor arrangements*

Consumer debtors with arrangements with the municipal entity stretches over a period longer than 12 months.

## **17. Payables from exchange transactions**

Accrued bonus	23,313,688	21,064,971
Accrued leave pay	101,150,117	81,572,795
Claims - Unfair dismissals	6,608,171	6,608,171
Deferred revenue	9,195,258	7,882,940
Deferred lease expenditure	3,111,673	4,075,638
Electricity connections	31,962,916	19,066,252
Mantsopa Local Municipality	3,901,760	2,757,101
Operating expense accrual	10,152,644	6,102,047
Other payables	1,134,277	743,488
Other payables - Grants	8,204,077	8,760,316
Payments received in advance	76,847,219	76,976,286
Retentions	87,207,318	71,766,059
Salaries payable	2,705,134	390,483
Trade payables	490,683,267	421,916,480
Unallocated deposits received	6,093,311	6,361,095
	<b>862,270,830</b>	<b>736,044,122</b>



# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

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### 17. Payables from exchange transactions (continued)

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the current year was 60 days (2014: 60 days).

The terms were not renegotiated before the financial statements were authorised for issue.

### 18. Payables from non-exchange transactions

Deposits	558,047	499,837
Unallocated receipts	277,514,037	144,601,593
Other	1,342,476	1,342,476
	<b>279,414,560</b>	<b>146,443,906</b>

### 19. Consumer deposits

Electricity	70,796,810	49,488,463
Water	30,872,092	28,529,176
	<b>101,668,902</b>	<b>78,017,639</b>

Guarantees in lieu of consumer deposits for water amounted to R 2,063,152 (2014: R 1,781,533)

Guarantees in lieu of vendor deposits for electricity amounted to R 15,461,583 (2014: R 13,770,891)

### 20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Provincial grant - Upgrading roads in Batho	76,740	76,740
Provincial grant - Stadiums	219,006	219,006
Municipal accreditation project funding - Housing grant	3,628,261	3,628,261
City of Ghent - Youth development grant	550,146	1,453,936
Motheo - Contribution environmental health grant	9,346,371	9,346,371
Sports, Arts and Culture - Admin libraries	2,000,000	-
Provincial grant - Upgrade housing in Batho	182,175	182,175
Expanded Public Works Programme Incentive Grant	38,641	138,463
Public transport infrastructure and systems fund grant	21,133,200	597,471
Urban settlement development grant	77,535,555	70,726,573
Sustainable human settlement grant	2,598,026	27,158,410
Provincial grant - Grassland area	4,500,000	4,500,000
Provincial grant - Hlasela project - Iphahamiseng centre	3,703	3,703
Provincial grant - Planning and surveying	493,144	493,144
Local government and housing grant - Infrastructure Grassland area	3,965,043	3,965,043
	<b>126,270,011</b>	<b>122,489,296</b>

The amounts will be recognised as revenue when conditions have been met.

Refer to note 40 for further details of grant movements.

### 21. VAT payable

VAT payable	-	43,870,503
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VAT is payable on the payments basis. VAT is paid over to the South African Revenue Service (SARS) only once payment is received from debtors.

Refer to note 9 for details regarding the VAT receivable as at 30 June 2015.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>21. VAT payable (continued)</b>		
<b>Disclosure in terms of the MFMA</b>		
Opening balance	43,870,503	74,215,665
VAT Payable	77,763,790	22,906,795
VAT claimed not yet received	(150,185,217)	(53,251,957)
	<b>(28,550,924)</b>	<b>43,870,503</b>
<b>22. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	49,488,799	66,390,909
- in second to fifth year inclusive	71,022,547	94,904,508
	120,511,346	161,295,417
less: future finance charges	(12,380,174)	(17,779,849)
<b>Present value of minimum lease payments</b>	<b>108,131,172</b>	<b>143,515,568</b>
<b>Present value of minimum lease payments due</b>		
- within one year	41,538,934	55,271,514
- in second to fifth year inclusive	66,592,238	88,244,054
	<b>108,131,172</b>	<b>143,515,568</b>
Non-current liabilities	66,592,238	87,420,438
Current liabilities	41,538,934	56,095,130
	<b>108,131,172</b>	<b>143,515,568</b>

The entity leases various equipment and vehicles under finance leases. The maximum lease term is between 2 to 5 years and the average borrowing rate is between 9% and 15%. Leases are renewed automatically upon expiry, unless otherwise instructed by the entity.

No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

The entity did not default on any of the finance lease obligations, whether it be on the capital or the interest portion.

None of the terms attached to the existing finance lease obligations were renegotiated.

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

### 23. Operating lease accrual

Non-current liabilities	(96,338)	(234,323)
Current liabilities	(304,171)	(149,479)
	<b>(400,509)</b>	<b>(383,802)</b>

The municipal entity leases a building from Free State Development Corporation (FDC) situated in Botshabelo for an indefinite period which can be terminated by way of a 3 month cancellation clause. Management has estimated to rent from FDC until the year 2016. The lease rental is escalated annually on 1 December by 10%. The straight lined amount was calculated as R 30,062 per month.

The municipal entity leases a building from Telkom SA (SOC) Ltd situated in Bloemfontein for an initial rental period of 3 years, commencing on 1 November 2013 and terminating on 31 October 2016 with no option to purchase. The lease rental is escalated annually on 1 November by the prime lending rate as quoted by Standard Bank at the date of escalation plus 1%. The straight lined amount was calculated as R 233,078 per month.

# Mangaung Metropolitan Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>24. Borrowings</b>		
<b>At amortised cost</b>		
DBSA Bloemfontein - Sewer 8001/104	734,556	2,088,550
DBSA Bloemfontein - Water 8001/104	658,552	1,895,438
DBSA - FS1034/01	138,000,746	142,975,727
DBSA - FS1034/03	42,555,911	44,903,752
DBSA - 6100 7294	127,000,000	-
Standard Bank Loan 3371 4314	283,235,810	-
	<b>592,185,575</b>	<b>191,863,467</b>
<b>Total borrowings</b>	<b>592,185,575</b>	<b>191,863,467</b>

These loans are from The Development Bank of South Africa and Standard Bank of South Africa Limited. Repayments are made either monthly or on a six monthly basis. The final loan will be redeemed at 30 January 2027 and the loans bear interest between 6% and 14%.

The entity did not default on any of the borrowings, whether it be on the capital or the interest portions, and none of the terms attached to the borrowings were renegotiated.

<b>Non-current liabilities</b>		
At amortised cost	557,182,590	183,277,108
<b>Current liabilities</b>		
At amortised cost	35,002,985	8,586,359

## 25. Provisions

### Reconciliation of provisions - 2015

	Opening Balance	Reassessment	Change in discount factor	Total
Rehabilitation of landfill sites	78,473,170	10,003,362	7,161,905	95,638,437
Rehabilitation of quarry sites	357,691,188	(26,657,192)	5,827,835	336,861,831
	<b>436,164,358</b>	<b>(16,653,830)</b>	<b>12,989,740</b>	<b>432,500,268</b>

### Reconciliation of provisions - 2014

	Opening Balance	Reassessment	Change in discount factor	Total
Rehabilitation of landfill sites	92,489,137	3,602,795	(17,618,762)	78,473,170
Rehabilitation of quarry sites	358,636,622	6,854,474	(7,799,908)	357,691,188
	<b>451,125,759</b>	<b>10,457,269</b>	<b>(25,418,670)</b>	<b>436,164,358</b>

Non-current liabilities	237,691,924	229,147,931
Current liabilities	194,808,344	207,016,427
	<b>432,500,268</b>	<b>436,164,358</b>

# Mangaung Metropolitan Municipality

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### 25. Provisions (continued)

#### Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2015 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 4.789% for the circumstances of the entity.

Landfill sites consists of:	Restoration date:
Botshabelo Landfill Site	2021
Northern Landfill Site	2036
Southern Landfill Site	2017

The final restoration of landfill sites are expected to be in the year listed above, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

#### Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2015 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the quarry sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 4.789% for the circumstances of the entity.

Quarries consists of:	Restoration date:
<u>Bloemfontein</u>	
Cecelia	2018
Sunnyside	2018
Kgotsong	2015
Ipopeng	2015
Chris Hani	2015
Caleb Motsoabi	2015
<u>Botshabelo</u>	
K-Section	2015
F1-Section	2015
F2.1-Section	2015
F2.2-Section	2015
W-Section	2015
S-Section	2015
B-Section	2015
<u>Thaba Nchu</u>	
Seroala	2015
Thubisi	2015
Putsane	2015
Merino	2015
Rhakoi	2015
Sediba	2015
Rooibult	2015
Kgalala	2015
Baraclava - 1 Quarry	2015
Baraclava Quarry	2015
Bultfontein 3 Quarry	2015
Modutung Quarry	2015
Talla Quarry	2015
Nogas Pst Quarry	2015

The final restoration of quarry sites are expected to be in the year listed above, being the estimated useful lives of quarry sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

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### 26. Defined benefit obligation

#### Defined benefit plan

The defined benefit liability as disclosed below are represented by three different post-employment benefits. None of the benefits set out below are externally funded.

#### Post retirement medical aid plan

Active members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of an active member is entitled to a 60% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member's death.

Continuation members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of a continuation member is entitled to a 60% subsidy of their contributions.

#### Pension benefits

Pension gratuities are payable to retired employees and pensioners who were in service of the council on or before 1 October 1981, who did not qualify to be members of the FS Joint Municipal Pension Fund or FS Local Government Pension Fund, or who were not members of a pension fund by this date, with 20 years of uninterrupted service and a minimum retirement age of 60 years have been obtained.

#### Long service award

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Present value of the defined benefit obligation wholly unfunded	646,465,000	560,245,000
Non-current liabilities	645,493,000	559,648,000
Current liabilities	972,000	597,000
	<b>646,465,000</b>	<b>560,245,000</b>

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	560,245,000	455,879,000
Interest costs	53,215,000	40,993,000
Current service costs	31,018,000	25,733,000
Benefits paid	(18,941,949)	(18,499,179)
Past service costs	24,045,000	-
Actuarial (gain)/loss	(3,116,051)	56,139,179
	<b>646,465,000</b>	<b>560,245,000</b>

#### 2011

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2010	2,693,000	348,226,000	43,222,000	394,141,000
Interest costs	236,000	34,821,000	2,948,000	38,005,000
Current service costs	-	21,278,000	4,230,000	25,508,000
Benefits paid / (expected)	(478,000)	(5,995,000)	(3,902,000)	(10,375,000)
Actuarial (gains) / losses	4,263,000	(14,372,000)	5,141,000	(4,968,000)
	<b>6,714,000</b>	<b>383,958,000</b>	<b>51,639,000</b>	<b>442,311,000</b>

#### 2012

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2011	6,714,000	383,958,000	51,639,000	442,311,000
Interest costs	555,000	35,100,000	4,744,000	40,399,000
Current service costs	61,000	14,242,000	4,518,000	18,821,000
Benefits paid / (expected)	(367,000)	(6,569,000)	(7,126,000)	(14,062,000)
Actuarial (gains) / losses	(1,769,000)	(146,180,000)	5,286,000	(142,663,000)
	<b>5,194,000</b>	<b>280,551,000</b>	<b>59,061,000</b>	<b>344,806,000</b>

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### 26. Defined benefit obligation (continued)

#### 2013

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2012	5,194,000	280,551,000	59,061,000	344,806,000
Interest costs	407,000	25,797,000	4,648,000	30,852,000
Current service costs	47,000	12,922,000	5,767,000	18,736,000
Benefits paid / (expected)	(452,000)	(6,912,000)	(7,509,676)	(14,873,676)
Actuarial (gains) / losses	797,000	60,044,000	15,517,676	76,358,676
	<b>5,993,000</b>	<b>372,402,000</b>	<b>77,484,000</b>	<b>455,879,000</b>

#### 2014

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2013	5,993,000	372,402,000	77,484,000	455,879,000
Interest costs	453,000	34,729,000	5,811,000	40,993,000
Current service costs	43,000	17,517,000	8,173,000	25,733,000
Benefits paid / (expected)	(381,000)	(7,566,000)	(10,552,179)	(18,499,179)
Actuarial (gains) / losses	(943,000)	54,590,000	2,492,179	56,139,179
	<b>5,165,000</b>	<b>471,672,000</b>	<b>83,408,000</b>	<b>560,245,000</b>

#### 2015

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2014	5,165,000	471,672,000	83,408,000	560,245,000
Interest costs	426,000	45,955,000	6,834,000	53,215,000
Current service costs	49,000	22,228,000	8,741,000	31,018,000
Past service costs	-	24,045,000	-	24,045,000
Benefits paid / (expected)	(354,000)	(8,357,000)	(10,230,949)	(18,941,949)
Actuarial (gains) / losses	(352,000)	1,635,000	(4,399,051)	(3,116,051)
	<b>4,934,000</b>	<b>557,178,000</b>	<b>84,353,000</b>	<b>646,465,000</b>

#### Estimated future contributions

	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2015	4,934,000	557,178,000	84,353,000	646,465,000
Interest costs	404,000	54,562,000	7,107,000	62,073,000
Current service costs	47,000	27,719,000	9,294,000	37,060,000
Expected benefit payments	(358,000)	(8,897,000)	(6,482,000)	(15,737,000)
	<b>5,027,000</b>	<b>630,562,000</b>	<b>94,272,000</b>	<b>729,861,000</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used - pension fund	8.50 %	8.55 %
Discount rates used - medical aid	9.40 %	9.60 %
Discount rates used - long service award	8.40 %	8.55 %
Expected increase in healthcare costs	8.90 %	9.00 %
Expected increase in salaries - long service award	8.10 %	9.00 %
Expected increase in salaries - pension fund	8.25 %	9.00 %
Expected increase in salaries	9.00 %	9.00 %
Expected pension increases	6.25 %	7.00 %
Inflation rate - Medical aid	6.90 %	7.00 %
Inflation rate - Pension fund	6.25 %	7.00 %
Inflation rate - Long service awards	6.10 %	7.00 %
Membership discontinued at retirement or death-in-service	10.00 %	10.00 %
Expected retirement age (years)	63	63

#### Inflation sensitivities

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

**One percentage point increase    One percentage point decrease**

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## Notes to the Consolidated Annual Financial Statements

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<b>26. Defined benefit obligation (continued)</b>		
Effect on defined benefit obligation	(675,704,000)	(468,150,000)
Effect on the aggregate of the service cost	(36,267,000)	(22,532,000)
Effect on the aggregate of the interest cost	(66,436,000)	(45,644,000)

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

	2015 R	2014 R	2013 R	2012 R	2011 R
Defined benefit obligation	646,465,000	560,245,000	455,879,000	344,806,000	442,310,000
Experience adjustments on plan liabilities	(6,659,000)	(16,647,000)	(33,624,000)	(8,418,000)	25,607,000

### 27. FRESHCO liability

Non-current liability	193,357,936	181,443,631
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The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households. The agreement commenced on 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 10% annually. The rental amount is included in note 36 – Rental of facilities and equipment.

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence. FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

### 28. Land availability liability

Non-current liability	31,575,456	-
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The entity has entered into an agreement with a developer to implement and pursue a programme of land development which will provide infrastructure and housing suitable for low to medium income households. The agreement commenced on 10 July 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period.

In terms of the agreement, the developer will develop 762 erven in Mangaung Extension 34, and 1580 erven in Mangaung Extension 35. This development will be known as the Hillside Development.

The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, and the infrastructure services.

The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.

The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.

The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.

The buildings retained by the entity shall be capitalised throughout the development process.

### 29. Revaluation reserve

Opening balance	942,625,311	931,086,893
Revaluation during the year	1,452,032,434	24,026,964
Realisation of the revaluation reserve	(12,032,306)	(12,488,546)
	<b>2,382,625,439</b>	<b>942,625,311</b>

There are no restrictions on the distribution of the revaluation surplus.

Comparative information has been restated due to correction of errors. Refer to note 59

# Mangaung Metropolitan Municipality

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### 30. Other Non Distributable Reserve

In accordance with the terms of the NERSA (National Energy Regulator of South Africa) agreement it was agreed that R 60,000,000 is to be held as a non-distributable reserve.

Closing balance	60,000,000	60,000,000
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### 31. Self insurance reserve

Opening balance	5,000,000	77,484,513
Insurance claims processed	(264,447)	(274,940)
Contributions received	264,447	274,940
Reassessment of reserve	-	(72,484,513)
	<b>5,000,000</b>	<b>5,000,000</b>

### 32. COID reserve

Opening balance	8,934,694	11,457,126
Contributions received	3,132,625	2,992,946
Insurance claims processed	(1,438,699)	(5,515,378)
	<b>10,628,620</b>	<b>8,934,694</b>



# Mangaung Metropolitan Municipality

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### 33. Financial instruments disclosure

#### Categories of financial instruments

#### 2015

##### Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	32,498	4,954,298	4,986,796
Other receivables from exchange transactions	-	88,371,774	88,371,774
Consumer receivables from exchange transactions	-	643,042,057	643,042,057
Other receivables from non-exchange transactions	-	2,337,243	2,337,243
Consumer receivables from non-exchange transactions	-	377,650,411	377,650,411
Investments	-	313,462,646	313,462,646
Cash and cash equivalents	-	362,036,370	362,036,370
	<b>32,498</b>	<b>1,791,854,799</b>	<b>1,791,887,297</b>

##### Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	592,185,575	592,185,575
Finance lease obligations	-	108,131,172	108,131,172
Operating lease obligations	-	400,509	400,509
Trade and other payables from exchange transactions	-	737,807,025	737,807,025
Payables from non-exchange transactions	-	279,414,560	279,414,560
Consumer deposits	101,668,902	-	101,668,902
	<b>101,668,902</b>	<b>1,717,938,841</b>	<b>1,819,607,743</b>

#### 2014

##### Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	22,815	3,770,148	3,792,963
Other receivables from exchange transactions	-	65,309,463	65,309,463
Consumer receivables from exchange transactions	-	556,856,959	556,856,959
Other receivables from non-exchange transactions	-	3,515,651	3,515,651
Consumer receivables from non-exchange transactions	-	347,938,313	347,938,313
Investments	-	186,559,010	186,559,010
Cash and cash equivalents	-	452,151,763	452,151,763
	<b>22,815</b>	<b>1,616,101,307</b>	<b>1,616,124,122</b>

##### Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	191,863,467	191,863,467
Finance lease obligations	-	143,515,568	143,515,568
Operating lease obligations	-	383,802	383,802
Trade and other payables from exchange transactions	-	633,406,356	633,406,356
Payables from non-exchange transactions	-	146,443,906	146,443,906
Consumer deposits	78,017,639	-	78,017,639
	<b>78,017,639</b>	<b>1,115,613,099</b>	<b>1,193,630,738</b>

# Mangaung Metropolitan Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>34. Revenue</b>		
Service charges	2,887,093,070	2,793,359,165
Rental of facilities and equipment	28,370,602	21,151,705
Agency services	4,750,908	4,725,488
Licences and permits	170,678	433,435
Other income from exchange transactions	58,413,923	56,346,162
Interest received	237,073,638	178,079,013
Property rates	871,212,408	975,955,420
Government grants and subsidies	1,608,312,777	1,722,782,784
Other income from non-exchange transactions	16,650,573	45,474,760
Fines	79,198,221	77,361,862
	<b>5,791,246,798</b>	<b>5,875,669,794</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	2,887,093,070	2,793,359,165
Rental of facilities and equipment	28,370,602	21,151,705
Agency services	4,750,908	4,725,488
Licences and permits	170,678	433,435
Other income from exchange transactions	58,413,923	56,346,162
Interest received	237,073,638	178,079,013
	<b>3,215,872,819</b>	<b>3,054,094,968</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	871,212,408	975,955,420
<b>Transfer revenue</b>		
Government grants and subsidies	1,608,312,777	1,722,782,784
Other income from non-exchange transactions	16,650,573	45,474,760
Fines	79,198,221	77,361,862
	<b>2,575,373,979</b>	<b>2,821,574,826</b>
<b>35. Service charges</b>		
Sale of electricity	1,797,950,178	1,700,313,227
Sale of water	659,267,292	618,963,466
Sewerage and sanitation charges	292,452,700	302,007,733
Refuse removal	137,422,900	172,074,739
	<b>2,887,093,070</b>	<b>2,793,359,165</b>
<b>36. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	1,118,801	1,036,990
Venue hire	1,375,704	1,449,508
	<b>2,494,505</b>	<b>2,486,498</b>
<b>Facilities and equipment</b>		
Rental of facilities	24,950,902	17,633,245
Rental of equipment	568,642	555,828
Other	356,553	476,134
	<b>25,876,097</b>	<b>18,665,207</b>
	<b>28,370,602</b>	<b>21,151,705</b>

No contingent rent was due for the period.

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<b>37. Other income from exchange transactions</b>		
Analysis of industrial effluent	2,033,507	2,335,401
Building plan fees	3,557,783	3,902,727
Clearance certificates	2,371,089	1,814,478
Commission - Fresh Produce Market	17,371,615	17,895,461
Connection and reconnection of water	4,913,946	2,665,287
Insurance collection	2,559,498	1,813,161
Entrance fees	1,303,237	1,209,929
Grave plots	2,789,833	1,955,162
Parking fees	1,352,821	1,192,394
Sale of erven	5,441,315	1,418,206
Sale of redundant material	3,507	3,147,045
Sale of tender documents	2,979,225	1,149,302
Training	4,037,980	5,580,076
Unclaimed deposits and stale cheques	787,077	868,780
Sundry income	6,911,490	9,398,753
	<b>58,413,923</b>	<b>56,346,162</b>
<b>38. Interest received</b>		
Interest charged on long term receivables	1,414,698	1,387,443
Cash and cash equivalents	22,546,158	25,543,425
Interest charged on trade and other receivables	179,213,637	130,553,027
Interest on investments	33,899,145	20,595,118
	<b>237,073,638</b>	<b>178,079,013</b>

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Figures in Rand	2015	2014
<b>39. Property rates</b>		
<b>Rates levied</b>		
Residential and business/commercial	628,683,534	729,908,475
Government	242,528,874	246,046,945
	<b>871,212,408</b>	<b>975,955,420</b>
<b>Valuations</b>		
Residential	78,057,664,404	69,752,244,308
Business/Commercial	21,226,868,426	20,935,681,736
Government	10,116,646,160	10,845,727,160
Municipal	4,760,661,886	4,369,644,135
	<b>114,161,840,876</b>	<b>105,903,297,339</b>

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R 70,000 of the rateable value of residential property are exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholding's and farms used solely for residential and agricultural purposes.

In respect of qualifying senior citizens and disabled persons, the first R 250,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,000,000.

### 2015:

From 1 July 2014 the basic rates were adjusted as follows:

- R0.005784 on the value of rateable farm property
- R0.005784 on the value of rateable residential property
- R0.025005 on the value of rateable government property
- R0.025005 on the value of rateable business/commercial property

### 2014:

From 1 July 2013 the basic rates were adjusted as follows:

- R0.005457 on the value of rateable farm property
- R0.005457 on the value of rateable residential property
- R0.024836 on the value of rateable government property
- R0.024836 on the value of rateable business/commercial property

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<b>40. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	603,581,000	605,072,000
Provincial grant - Upgrading roads in Batho	-	4,476
Provincial grant - Batho car wash	-	60,000
Provincial grant - Township establishment - Caleb Motshabi	-	135,964
Provincial grant - Stadiums	-	6,419,794
Financial management grant	1,500,000	1,500,000
Municipal accreditation project funding - Housing grant	-	1,386,002
Fuel levy	256,663,000	243,022,000
National sport and recreation grant	500,000	28,500,000
National electrification programme grant	30,200,000	42,000,000
City of Ghent - Youth development grant	1,453,935	490,515
Department of Water Affairs	3,057,723	12,900,000
Electricity demand side management grant	7,490,000	8,000,000
DBSA - Capacity building programme grant	-	234,104
Urban renewal grant	-	280,553
Motheo - Contribution environmental health grant	-	466,705
Sports, Arts & Culture - Sport	4,000,000	-
Neighbourhood development grant	5,000,000	-
Lotto grant	4,912,281	-
Integrated City Development Grant	5,596,000	-
	<b>923,953,939</b>	<b>950,472,113</b>
<b>Capital grants</b>		
Provincial grant - Upgrade housing in Batho	-	1,567,100
Expanded Public Works Programme Incentive Grant	2,392,359	7,818,844
DWAF - Water conservation grant	942,277	7,584,395
Public transport infrastructure and systems fund grant	8,866,800	27,056,073
Urban settlement development grant	647,597,018	655,442,669
Sustainable Human Settlement Grant	24,560,384	72,841,590
	<b>684,358,838</b>	<b>772,310,671</b>
	<b>1,608,312,777</b>	<b>1,722,782,784</b>
<b>Equitable Share</b>		
Current year receipts	603,581,000	605,072,000
Conditions met - transferred to revenue	(603,581,000)	(605,072,000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Provincial grant - Upgrading roads in Batho</b>		
Balance unspent at beginning of year	76,740	81,216
Conditions met - transferred to revenue	-	(4,476)
	<b>76,740</b>	<b>76,740</b>
Conditions still to be met - remain liabilities (see note 20).		
The purpose of the grant is to assist the entity with the upgrading of housing in the Batho area.		
<b>Provincial grant - Batho Car Wash</b>		
Balance unspent at beginning of year	-	60,000
Conditions met - transferred to revenue	-	(60,000)
	-	-
The purpose of this grant is to assist the entity with the implementation of the operation Hlasela project, a car wash in the Batho area.		

# Mangaung Metropolitan Municipality

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### 40. Government grants and subsidies (continued)

#### Provincial grant - Township establishment - Caleb Motshabi

Balance unspent at beginning of year	-	135,964
Conditions met - transferred to revenue	-	(135,964)
	-	-

The purpose of the grant is to assist the entity with the establishing of the township establishment Caleb Motshabi.

#### Provincial grant - Stadiums

Balance unspent at beginning of year	219,006	6,638,800
Conditions met - transferred to revenue	-	(6,419,794)
	<b>219,006</b>	<b>219,006</b>

Conditions still to be met - remain liabilities (see note 20).

The grant is allocated to the entity for the development and improvement of the sport stadium for the 2010 World Cup.

#### Financial management grant

Current-year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(1,500,000)	(1,500,000)
	-	-

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

#### Municipal accreditation project funding - Housing grant

Balance unspent at beginning of year	3,628,261	14,263
Current-year receipts	-	5,000,000
Conditions met - transferred to revenue	-	(1,386,002)
	<b>3,628,261</b>	<b>3,628,261</b>

Conditions still to be met - remain liabilities (see note 20).

The grant is allocated to the entity to finance and support the entity accreditation project as well as capacity development.

#### Fuel levy

Current-year receipts	256,663,000	243,022,000
Conditions met - transferred to revenue	(256,663,000)	(243,022,000)
	-	-

The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.

#### National sport and recreation grant

Current-year receipts	500,000	28,500,000
Conditions met - transferred to revenue	(500,000)	(28,500,000)
	-	-

The grant is used to assist host cities with the operational responsibilities associated with the hosting of sports events.

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>40. Government grants and subsidies (continued)</b>		
<b>National electrification programme grant</b>		
Current-year receipts	30,200,000	42,000,000
Conditions met - transferred to revenue	(30,200,000)	(42,000,000)
	-	-
The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and the rehabilitation of electrification infrastructure. The grant was transferred to Centlec (SOC) Limited.		
<b>City of Ghent - Youth development grant</b>		
Balance unspent at beginning of year	1,453,936	1,640,461
Current-year receipts	550,146	303,990
Conditions met - transferred to revenue	(1,453,936)	(490,515)
	<b>550,146</b>	<b>1,453,936</b>
Conditions still to be met - remain liabilities (see note 20).		
The grant is given by the City of Ghent for youth development.		
<b>Department of Water Affairs</b>		
Balance unspent at beginning of year	-	6,000,000
Current-year receipts	3,057,723	6,900,000
Conditions met - transferred to revenue	(3,057,723)	(12,900,000)
	-	-
The purpose of the grant is to subsidise and build capacity in water schemes on behalf of Department of Water and Environmental Affairs and transfer these schemes to local government.		
<b>Electricity demand side management grant</b>		
Current-year receipts	7,490,000	8,000,000
Conditions met - transferred to revenue	(7,490,000)	(8,000,000)
	-	-
The grant is allocated to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.		
<b>DBSA - Capacity building programme grant</b>		
Balance unspent at beginning of year	-	234,104
Conditions met - transferred to revenue	-	(234,104)
	-	-
The grant was allocated to the entity to assist with capacity building.		
<b>Urban renewal grant</b>		
Balance unspent at beginning of year	-	280,553
Conditions met - transferred to revenue	-	(280,553)
	-	-
The grant was allocated for the development of erven.		

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>40. Government grants and subsidies (continued)</b>		
<b>Motheo - Contribution environmental health grant</b>		
Balance unspent at beginning of year	9,346,371	9,813,076
Conditions met - transferred to revenue	-	(466,705)
	<b>9,346,371</b>	<b>9,346,371</b>
Conditions still to be met - remain liabilities (see note 20).		
The purpose of the grant is to assist municipalities with the rendering of environmental health services.		
<b>Sports, Arts &amp; Culture - Admin libraries</b>		
Current-year receipts	2,000,000	-
Conditions still to be met - remain liabilities (see note 20).		
The purpose of the grant is to fund the administration of public libraries within the Mangaung Metropolitan Municipality area.		
<b>Sports, Arts &amp; Culture - Sport</b>		
Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(4,000,000)	-
	-	-
The purpose of the grant was to assist the City in hosting the Mangaung International Beach Volleyball Tournament in December 2014.		
<b>Neighbourhood development grant</b>		
Current-year receipts	5,000,000	-
Conditions met - transferred to revenue	(5,000,000)	-
	-	-
This grant is to be used for the development of urban network plans, to improve the quality of life and access of residents in under-served neighbourhoods.		
<b>Provincial grant - Upgrading housing in Batho</b>		
Balance unspent at beginning of year	182,175	1,749,275
Conditions met - transferred to revenue	-	(1,567,100)
	<b>182,175</b>	<b>182,175</b>
Conditions still to be met - remain liabilities (see note 20).		
The purpose of the grant is to assist the entity with the upgrading of housing in the Batho area.		
<b>Expanded Public Works Programme Incentive Grant</b>		
Balance unspent at beginning of year	138,463	4,061,307
Current-year receipts	2,431,000	3,896,000
Conditions met - transferred to revenue	(2,392,359)	(7,818,844)
Surrendered to National Treasury	(138,463)	-
	<b>38,641</b>	<b>138,463</b>
Conditions still to be met - remain liabilities (see note 20).		
The purpose of the grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.		



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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>40. Government grants and subsidies (continued)</b>		
<b>DWAF - Water conservation grant</b>		
Balance unspent at beginning of year	-	455,016
Current-year receipts	942,277	7,129,379
Conditions met - transferred to revenue	(942,277)	(7,584,395)
	-	-

The purpose of the grant is to develop regional bulk infrastructure for water supply to supplement water treatment work and resource development.

### Public Transport Infrastructure and systems fund grant

Balance unspent at beginning of year	597,471	23,661,544
Current-year receipts	30,000,000	20,000,000
Conditions met - transferred to revenue	(8,866,800)	(27,056,073)
Surrender to National Treasury	(597,471)	(16,008,000)
	<b>21,133,200</b>	<b>597,471</b>

Conditions still to be met - remain liabilities (see note 20).

The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with agreed project plans.

### Urban Settlement Development Grant

Balance unspent at beginning of year	70,726,573	129,450,242
Current-year receipts	654,406,000	596,719,000
Conditions met - transferred to revenue	(647,597,018)	(655,442,669)
	<b>77,535,555</b>	<b>70,726,573</b>

Conditions still to be met - remain liabilities (see note 20).

The grant was allocated to the entity for People's Housing Process (PHP) housing infrastructure projects in Thaba Nchu.

### Sustainable Human Settlement Grant

Balance unspent at beginning of year	27,158,410	-
Current-year receipts	-	100,000,000
Conditions met - transferred to revenue	(24,560,384)	(72,841,590)
	<b>2,598,026</b>	<b>27,158,410</b>

Conditions still to be met - remain liabilities (see note 20).

The grant is used to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

### Integrated City Development Grant

Current-year receipts	5,596,000	-
Conditions met - transferred to revenue	(5,596,000)	-
	-	-

The purpose of the grant is to provide a financial incentive for metropolitan municipalities to integrate and focus their use of available infrastructure investment and regulatory instruments to achieve a more compact urban spatial form.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>40. Government grants and subsidies (continued)</b>		
<b>Provincial grant - Grassland area</b>		
Balance unspent at beginning of year	4,500,000	4,500,000
Conditions still to be met - remain liabilities (see note 20).		
The purpose of the grant is to assist the entity with housing infrastructure projects for the Grassland area.		
<b>Provincial grant - Hlasela project - Iphahamilseng centre</b>		
Balance unspent at beginning of year	3,703	3,703
Conditions still to be met - remain liabilities (see note 20).		
The purpose of this grant is to assist the entity with the implementation of the project, for swings, computer internet services and adopting the Iphahamilseng centre for vulnerable children.		
<b>Provincial grant - Planning and surveying</b>		
Balance unspent at beginning of year	493,144	493,144
Conditions still to be met - remain liabilities (see note 20).		
The purpose of the grant is to assist municipalities with the compilation of a town planning scheme to manage land development.		
<b>Local government and housing grant - Infrastructure Grassland area</b>		
Balance unspent at beginning of year	3,965,043	3,965,043
Conditions still to be met - remain liabilities (see note 20).		
The grant is allocated for housing infrastructure projects for the Grassland area.		
<b>Lotto funds</b>		
Current-year receipts	4,912,281	-
Conditions met - transferred to revenue	(4,912,281)	-
	-	-

This grant is to be used for the activation of an Arts and Culture programme at the Civic Theatre.

### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2015), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>41. Other income from non-exchange transactions</b>		
Donations	15,088,138	45,474,760
Penalties	1,562,435	-
	<b>16,650,573</b>	<b>45,474,760</b>

### Donations 2014:

The National Heritage Council of South Africa donated R 1,000,000 to the entity as a contribution towards the hosting of the Golden Shield Heritage Awards in the city on 20 September 2013.

Nine (9) land parcels in the Thaba Nchu region, to the value of R 6,080,000 were received as a donation from the Department of Rural Development and Land Reform. These properties have been included in Property, Plant and Equipment as disclosed in note 13 to the annual financial statements.

Land with a value of R 4,400,400 were received by the entity as a donation. These properties have been included in Property, Plant and Equipment as disclosed in note 13 to the annual financial statements.

### 42. Employee related costs

Salaries and wages	774,464,588	702,661,776
Contribution to pensions funds	117,056,185	106,218,273
Contributions to medical aid	61,911,548	53,372,170
Contributions to UIF	6,398,973	5,997,538
Defined benefit plans - Current service costs	31,018,000	25,733,000
Defined benefit plans - Past service costs	24,045,000	-
Housing benefits and allowances	3,002,268	2,782,047
Overtime payments	130,423,568	106,739,718
Staff leave pay provision	27,489,246	28,580,913
Staff bonuses - 13th Cheques	2,248,717	2,964,672
Travel, car, accommodation, subsistence and other allowances	82,948,275	73,968,060
	<b>1,261,006,368</b>	<b>1,109,018,167</b>

### Remuneration of the Accounting Officer

Annual Remuneration	2,088,238	2,022,633
Car and other allowances	338,253	278,505
Contributions to UIF, Medical and Pension Funds	68,798	55,878
	<b>2,495,289</b>	<b>2,357,016</b>

### Remuneration of Chief Finance Officer

Annual Remuneration	1,430,020	1,373,022
Car and other allowances	525,655	477,032
Contributions to UIF, Medical and Pension Funds	60,492	53,920
	<b>2,016,167</b>	<b>1,903,974</b>

### Remuneration of Executive Director - Human Settlements

Annual Remuneration	1,392,049	1,329,769
Car and other allowances	218,510	207,620
Contributions to UIF, Medical and Pension Funds	361,837	343,338
	<b>1,972,396</b>	<b>1,880,727</b>

# Mangaung Metropolitan Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand 2015 2014

### 42. Employee related costs (continued)

#### Remuneration of Executive Director - Corporate Services

Annual Remuneration	-	714,786
Car and other allowances	-	583,471
Contributions to UIF, Medical and Pension Funds	-	140,592
	<b>-</b>	<b>1,438,849</b>

The position was filled for only 8 months during the 2013/14 financial year.

#### Remuneration of Acting Executive Director - Corporate Services

Annual Remuneration	109,727	235,996
Car and other allowances	28,746	46,400
Contributions to UIF, Medical and Pension Funds	28,840	58,027
	<b>167,313</b>	<b>340,423</b>

The position had an official acting for a period of 4 months during the 2013/14 financial year and 2 months during the 2014/15 financial year as it was vacant.

#### Remuneration of Executive Director - Corporate Services

Annual Remuneration	1,022,951	-
Car and other allowances	321,531	-
Contributions to UIF, Medical and Pension Funds	62,738	-
	<b>1,407,220</b>	<b>-</b>

The position was filled for only 10 months during the 2014/15 financial year.

#### Remuneration of Executive Director - Social Services

Annual Remuneration	1,357,537	1,311,135
Car and other allowances	304,383	251,373
Contributions to UIF, Medical and Pension Funds	289,323	277,989
	<b>1,951,243</b>	<b>1,840,497</b>

#### Remuneration of Executive Director - Engineering

Annual Remuneration	1,424,128	1,365,242
Car Allowance	494,577	447,633
Contributions to UIF, Medical and Pension Funds	38,765	35,952
	<b>1,957,470</b>	<b>1,848,827</b>

#### Remuneration of Executive Director - Economic Development and Planning

Annual Remuneration	1,127,900	1,616,538
Car and other allowances	216,000	267,632
Contributions to UIF, Medical and Pension Funds	14,980	20,223
	<b>1,358,880</b>	<b>1,904,393</b>

The position was filled for only 10 months during the 2014/15 financial year.

#### Remuneration of Executive Director - Strategic Support & Service Delivery

Annual Remuneration	1,556,297	1,509,187
Car and other allowance	334,805	206,515
Contributions to UIF, Medical and Pension Funds	61,962	72,856
	<b>1,953,064</b>	<b>1,788,558</b>

# Mangaung Metropolitan Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>43. Remuneration of councillors</b>		
Councillors allowance	32,313,866	30,051,185
Cell phone allowance	2,434,213	2,753,078
Housing allowance	142,492	142,492
Medical aid contributions	478,408	423,319
Councillors pension contributions	3,187,129	3,165,613
Travel allowance	11,038,175	10,571,044
	<b>49,594,283</b>	<b>47,106,731</b>
<b>In-kind benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the entity and each is provided with an office and secretarial support at the cost of the Council.		
The Mayor and the Deputy Mayor each have the use of Council owned vehicles for official duties.		
<b>Executive Mayor</b>		
Councillor allowance	757,114	719,475
Cellphone allowance	45,420	49,020
Medical aid contributions	17,280	17,280
Pension fund contribution	108,836	104,416
Travel allowance	294,410	280,390
	<b>1,223,060</b>	<b>1,170,581</b>
<b>Deputy Executive Mayor</b>		
Councillor allowance	609,195	572,574
Cellphone allowance	45,420	49,020
Medical aid contributions	17,280	17,280
Pension fund contribution	86,837	83,082
Travel allowance	237,771	224,312
	<b>996,503</b>	<b>946,268</b>
<b>Speaker</b>		
Councillor allowance	858,172	617,411
Cellphone allowance	45,420	49,020
Housing allowance	38,246	38,246
Medical aid contributions	17,280	17,280
Travel allowance	37,385	224,312
	<b>996,503</b>	<b>946,269</b>
<b>Chief Whip</b>		
Councillor allowance	585,207	550,875
Cellphone allowance	24,468	28,068
Pension fund contribution	83,523	80,003
Travel allowance	222,910	210,293
	<b>916,108</b>	<b>869,239</b>
<b>Mayoral committee members</b>		
Councillor allowance	4,891,346	4,769,556
Cellphone allowance	214,095	250,743
Housing allowance	80,246	80,246
Medical aid contributions	119,520	109,384
Pension fund contribution	643,816	617,540
Travel allowance	1,940,999	1,892,633
	<b>7,890,022</b>	<b>7,720,102</b>

# Mangaung Metropolitan Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>43. Remuneration of councillors (continued)</b>		
<b>Councillors</b>		
Councillor allowance	24,612,831	22,821,295
Cellphone allowance	2,059,390	2,327,207
Housing allowance	24,000	24,000
Medical aid contributions	307,048	262,095
Pension fund contribution	2,264,118	2,280,571
Travel allowance	8,304,700	7,739,103
	<b>37,572,087</b>	<b>35,454,271</b>
<b>44. Depreciation and amortisation</b>		
Property, plant and equipment	609,678,202	467,136,501
Intangible assets	9,300,147	7,932,937
	<b>618,978,349</b>	<b>475,069,438</b>
<b>45. Impairment of assets</b>		
<b>Impairments and reversal of impairments</b>		
Property, plant and equipment	8,177,088	(330,921)
The recoverable amount of the asset was assessed at the end of the 2014/15 financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised. During the 2013/14 financial year it was assessed that the conditions leading to the original impairment loss no longer exist and the impairment loss was reversed.		
Inventories	139,813	40,067
An assessment of the net realisable value against cost was performed and inventory was written down.		
	<b>8,316,901</b>	<b>(290,854)</b>
<b>46. Finance costs</b>		
Defined benefit obligation	53,215,000	40,993,000
Finance leases	12,176,532	7,734,083
Non-current borrowings	31,668,069	21,637,284
Trade and other payables	4,368	14,622
	<b>97,063,969</b>	<b>70,378,989</b>
<b>47. Debt impairment</b>		
Consumer and other receivables impaired and written off	636,516,081	593,106,050
<b>48. Bulk purchases</b>		
Electricity	1,183,803,965	1,104,234,872
Water	430,764,023	382,809,314
	<b>1,614,567,988</b>	<b>1,487,044,186</b>

# Mangaung Metropolitan Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>49. Contracted services</b>		
Audit fees	22,358,971	22,690,954
Consultant fees	51,301,723	31,235,404
Debt collection fees	42,243,986	19,640,754
Integrated call centre	9,620,061	10,223,123
IPTN Planning	-	26,189,538
Meter reading services	31,737,748	36,427,594
Meter replacement	8,318,616	18,371,567
Security services	35,320,601	29,790,863
Other Contractors	76,011,868	47,397,543
Internal audit fees	4,845,150	3,717,812
	<b>281,758,724</b>	<b>245,685,152</b>
<b>50. Grants and subsidies paid</b>		
Bursaries paid to employees	1,353,179	1,186,044
Central Agricultural Society	10,751	10,239
Free Electricity Services	8,432,753	9,580,765
Subsidised municipal services	172,409,402	164,027,429
Miscellaneous grants	447,762	161,859
SPCA	434,931	414,220
	<b>183,088,778</b>	<b>175,380,556</b>

### *Bursaries paid to employees*

Bursaries are paid to employees in accordance with the approved study scheme.

### *Central Agricultural Society*

The payments to the society is for the maintenance of Council's property at the show grounds which are used in accordance with an agreement with the society.

### *Free electricity services*

The free electricity provided by Centlec (SOC) Limited and Eskom is recoverable from the equitable share grant.

### *Subsidised Municipal Services*

The municipal services provided to indigents and other qualifying individuals is recoverable from the equitable share grant.

### *Miscellaneous grants*

These grants are allocated mainly for ad hoc grants and the free use of Council facilities, as approved during the year.

### *SPCA - Society for the Prevention of Cruelty to Animals*

The subsidy is paid annually to the society to assist them in performing their tasks.

# Mangaung Metropolitan Municipality

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>51. General expenses</b>		
Advertising	10,546,222	8,067,604
Animal Costs	3,299,684	1,572,711
Bank charges & commission	7,889,762	9,368,040
CHAN 2014 Expenses	-	31,442,284
Chemicals	4,359,287	4,227,104
Cleaning	1,879,242	4,794,088
Commission paid	68,656,820	61,697,635
Community development and training	1,835,151	984,470
Computer expenses	240,545	414,860
Conferences and seminars	10,176,245	10,249,637
Consumables	10,601,665	7,335,685
Credit control fees	7,602,107	871,903
Discount allowed	2,583,966	-
Electricity	2,004,386	1,512,558
Financial management grant projects	2,940,022	3,518,797
Fuel and oil	35,445,724	30,918,963
Hire	4,321,846	10,929,277
ICT Strategy system integration	3,462,158	-
Indigent burials	1,894,383	987,270
Insurance	32,019,076	32,819,460
Lease rentals on operating lease	3,188,917	3,564,194
Legal expenses	34,691,291	26,292,809
Marketing	20,747,374	17,038,911
Metro transitional arrangements	-	310,264
Motor vehicle expenses	14,274,974	17,217,978
Penalties and interest	89,398	465,902
Postage and courier	5,318,004	5,828,692
Printing and stationery	12,342,041	9,784,510
Protective clothing	641,688	786,293
Reconnection test and removal - meters	7,166,977	(467,871)
Refreshments	1,189,053	1,084,549
Refuse	36,982,826	26,736,867
Rehabilitation of landfill sites and quarries	22,699,082	(16,034,775)
Royalties and license fees	11,758,382	12,444,118
Sewerage and waste disposal	641,082	700,153
Skills development levy	10,595,101	9,348,075
Software expenses	409,455	340,209
Special projects	14,946,924	26,955,084
Staff welfare	1,598,462	624,368
Subscriptions and membership fees	11,147,277	10,758,709
Telephone and fax	14,627,584	14,758,350
Title deed search fees	14,651,077	11,914,858
Tools, plant and equipment	5,959,919	6,827,667
Tourism development	2,805,933	2,408,665
Training	30,193,128	9,919,287
Travel - local	1,551,099	1,938,341
Uniforms	5,135,467	3,638,218
Vacuum services	102,066	612,009
Utilities - Water & Electricity	850,514	1,239,460
Water research	3,070,234	3,132,558
Sundry expenses	35,981,960	28,226,603
	<b>537,115,580</b>	<b>460,107,401</b>
<b>52. Fair value adjustments</b>		
Investment property (Fair value model)	9,683	8,453,463



# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>53. Cash generated from operations</b>		
Surplus	118,264,291	858,317,679
<b>Adjustments for:</b>		
Depreciation and amortisation	618,978,349	475,069,438
(Loss)/gain on sale of assets and liabilities	17,829,844	(6,295,498)
Fair value adjustments	(9,683)	(8,453,463)
Finance costs	43,844,601	29,371,367
Interest income	(35,313,843)	(21,982,561)
Impairment loss (reversal)	8,177,088	(330,922)
Movements in retirement benefit assets and liabilities	86,220,000	104,366,000
Movements in provisions	(3,664,090)	(14,961,401)
Land donation received	-	(11,357,593)
Operating leases	16,707	180,553
Unwinding of Freshco Liability	(7,524,321)	(3,596,386)
<b>Changes in working capital:</b>		
Inventories	(29,011,149)	(57,129,485)
Other receivables from exchange transactions	(23,061,657)	16,538,677
Consumer receivables from exchange transactions	(29,712,098)	(233,906,078)
Consumer receivables from non-exchange transactions	(86,185,098)	(12,305,703)
Other receivables from non-exchange transactions	1,178,408	(3,515,651)
Payables from exchange transactions	126,226,708	42,361,277
VAT	(72,421,427)	(38,546,491)
Payables from non-exchange transactions	132,970,654	(18,861,910)
Unspent conditional grants and receipts	3,780,715	(70,748,415)
	<b>870,583,999</b>	<b>1,024,213,434</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand 2015 2014

### 54. Commitments

#### Commitments in respect of capital expenditure

##### Approved and contracted for

• Infrastructure assets	342,623,876	277,239,674
• Other asset classes	50,349,680	82,305,477
	<b>392,973,556</b>	<b>359,545,151</b>

##### The capital expenditure will be financed from:

Unspent conditional grants and receipts	126,270,011	122,489,296
Non-current borrowings	266,703,545	191,863,467
Own resources	-	45,192,388
	<b>392,973,556</b>	<b>359,545,151</b>

The commitment register was reconstructed during the year resulting in the following changes to the comparative figures:

Commitments in respect of capital expenditure  
 Approved and contracted for  
 Infrastructure assets decreased by R 98,433,9921  
 Other asset classes decreased by R 12,454,704

Capital expenditure financed from  
 Own resources decreased by R 110,888,697

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	4,349,291	3,579,996
- in second to fifth year inclusive	2,250,278	4,945,938
	<b>6,599,569</b>	<b>8,525,934</b>

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three years. The lease agreements have escalations of 8% to 10% per year. There are no renewal and/or purchase options. No contingent rent is payable.

The comparative figures have been restated as follows:

Minimum lease payments due  
 - within one year has decreased by R163,613  
 - in second to fifth year inclusive as increased by R170,383

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	5,633,273	5,313,103
- in second to fifth year inclusive	19,297,005	20,704,231
- later than five years	33,652,079	37,878,126
	<b>58,582,357</b>	<b>63,895,460</b>

The entity leases various fixed properties under non-cancelable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R 24,950,902 (2014: R 17,929,384) has been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease. There are no purchase options. There was no contingent rent during the year.

The lease register was reconstructed resulting in the following changes to the comparative figures:

Minimum lease payments due  
 - within one year increasing by R722,544  
 - in second to fifth year inclusive increasing by R8,535,637  
 - later than five years decreasing with R16,545,416

# Mangaung Metropolitan Municipality

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### 55. Contingencies

#### Guarantees:

The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed below are the possible outflow amounts.

Housing guarantees	3,686,859	3,857,056
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#### Contingent liabilities

The entity is being sued for some of the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts:

Probable legal costs to be incurred for various matters handled by various attorneys	27,578,703	28,549,767
Labour cases and employee related matters	7,523,441	6,250,000
Claims by individuals due to property damages in various incidents	2,024,930	1,966,307
Claims by individuals due to various incidents	5,026,744	-
Claims from suppliers due to contractual disputes	43,133,786	41,630,753
Litigations of Centlec (SOC) Ltd vs M Coetzee - Litigation against Centlec (SOC) Ltd to prohibit them from disconnecting electricity supply.	200,000	200,000
Litigations of Centlec (SOC) Ltd vs MNK Accountants - Litigation against Centlec (SOC) Ltd relating to service agreement termination and non payment by Centlec (SOC) Ltd due to non performance.	50,000,000	50,000,000
Litigations of Centlec (SOC) Ltd vs Ramakarane - Litigation against Centlec (SOC) Ltd for breach of employment contract.	3,000,000	3,000,000
Investigations of garnishes on employee payslips.	-	200,000
Litigations of Centlec (SOC) Ltd vs Pogieter - Litigation against Centlec (SOC) Ltd relating to labour disputes.	1,000,000	250,000
Litigations of Centlec (SOC) Ltd vs Easy Pay - Litigation against Centlec (SOC) Ltd relating to extension of Easy Pay contract.	400,000	400,000
Litigations of Centlec (SOC) Ltd vs Vuyani Security Services.	-	750,000
Litigations of Centlec (SOC) Ltd vs Tielai N.O. & Power Trust 66 (Lengau Hotel) - Litigation against Centlec (SOC) Ltd to prohibit them from disconnecting electricity supply.	62,000	200,000
Litigations of Centlec (SOC) Ltd vs D.M. Letseli relating to re-instatement from suspension.	-	479,682
Litigations of Centlec (SOC) Ltd vs M.P. Seboka relating to disciplinary hearings.	-	909,728
Litigations of Centlec (SOC) Ltd vs Chabas CL & SD - Litigation against Centlec (SOC) Ltd relating to Discovery.	2,747	-
Litigations of Centlec (SOC) Ltd vs Polixeni Aresti & 1 other - Litigation against Centlec (SOC) Ltd relating to taxation.	74,981	-
	<b>140,027,332</b>	<b>134,786,237</b>

# Mangaung Metropolitan Municipality

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### 56. Related parties

#### Related party transactions

##### Operating expense transactions with related parties of the municipal entity

Jager Technologies CC / Exilasolve Pty Ltd trading as Aqua-Elec Utility Solution - Meter reading & -audit services	26,970,434	17,239,405
Sentech SOC Ltd	2,315,668	917,002

#### Key management information

No transactions took place between the entity and key management personnel or their close family members during the reporting period.

Details relating to remuneration are disclosed in note 42 for key management and note 43 for Councillors. Furthermore, details relating to the emoluments of directors of Centlec (SOC) Ltd are disclosed in note 57.

#### Compensation to directors and other key management of Centlec (SOC) Ltd

Annual remuneration	6,201,338	7,999,639
Travel, motor car, accommodation, subsistence and other allowances	557,938	955,941
Contributions to UIF, Medical and Pension Funds	328,709	367,875
Acting allowance	155,331	531,852
Directors fee	1,331,395	1,248,024
	<b>8,574,711</b>	<b>11,103,331</b>

### 57. Directors' Emoluments

2015	Directors' fees	Company contribution - UIF	Company contribution - SDL	Total
Mr. ML Mbali (Chairperson)	361,992	1,785	3,620	367,397
Ms. FP Zitha (Deputy Chairperson)	241,332	1,785	2,413	245,530
Mr. N Mokhesi	143,376	1,279	1,434	146,089
Mr. TJ Mongake	143,376	1,279	1,434	146,089
Mr. KM Moroka	92,820	774	928	94,522
Mrs. ZC Uwah	57,903	518	579	59,000
Mr. SG Xulu	143,376	1,279	1,434	146,089
Mr. SM Zimu	143,376	1,279	1,434	146,089
Prof. L de Jager	3,844	38	38	3,920
	<b>1,331,395</b>	<b>10,016</b>	<b>13,314</b>	<b>1,354,725</b>

2014	Directors' fees	Company contribution - UIF	Company contributions - SDL	Company contribution - SALGBC Fee	Total
Mr. ML Mbali (Chairperson)	312,012	1,785	3,120	51	316,968
Ms. FP Zitha (Deputy Chairperson)	208,008	1,785	2,080	51	211,924
Mr. N Mokhesi	121,334	1,213	1,213	51	123,811
Mr. TJ Mongake	121,334	1,213	1,213	51	123,811
Mr. KM Moroka	121,334	1,213	1,213	51	123,811
Mr. SG Xulu	121,334	1,213	1,213	51	123,811
Mr. SM Zimu	121,334	1,213	1,213	51	123,811
Prof. L de Jager	121,334	1,213	1,213	51	123,811
	<b>1,248,024</b>	<b>10,848</b>	<b>12,478</b>	<b>408</b>	<b>1,271,758</b>

### 58. Change in estimate

#### Property, plant and equipment

In the current reporting period as part of the preparation of the Annual Financial Statement the municipality reviewed the useful lives and conditions of its assets. This resulted in the adjustment of the remaining useful lives of various assets. The effect of the revision is an increase in depreciation for the current year amounting to R 110,214,547. It is impracticable to estimate the effect on future periods as the remaining useful lives is reviewed at each reporting date.

# Mangaung Metropolitan Municipality

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### 59. Prior period errors

During the current year errors were identified which were corrected in terms of GRAP 3, Accounting policies, changes in accounting estimates and errors.

The correction of the errors resulted in adjustments as follows:

#### 1. Prior period error - Input VAT denied

During the current year SARS denied input VAT relating to the prior financial year. The effect of the restatement is as follows:

<b>Statement of financial position</b>		
Increase in VAT payable	-	(395,673)
<b>Statement of financial performance</b>		
Increase in General expenditure - Sundry expenses	-	395,673
	<u>-</u>	<u>-</u>

#### 2. Prior period error - Deferred lease disclosure

During the prior year the deferred lease payable were incorrectly disclosed as Other receivables from exchange transactions. The effect of the restatement is as follows:

<b>Statement of financial position</b>		
Increase in Other receivables from exchange transactions - Deferred lease	-	109,552
Increase in Payables from exchange transactions - Deferred lease expenditure	-	(109,552)
	<u>-</u>	<u>-</u>

#### 3. Prior period error - VAT apportionment

In the current year the refund was received for the apportionment of 2013/14 VAT. The effect of the restatement is as follows:

<b>Statement of financial position</b>		
Increase in VAT payable	-	(279,446)
<b>Statement of financial performance</b>		
Increase in General expenditure	-	279,446
	<u>-</u>	<u>-</u>

#### 4. Prior period error - Unallocated receipt written off

In prior years, long outstanding unallocated receipts were written off. During the current year, a consumer presented evidence to allocate one of these receipts to the consumer account. This receipt was then allocated to the consumer during the current year. The effect of the restatement is as follows:

<b>Statement of financial position</b>		
Increase in Payables from exchange transactions	-	(213,363)
Decrease in Accumulated surplus	-	213,363
	<u>-</u>	<u>-</u>

#### 5. Prior period error - Creditor balances corrected

During the current year, long overdue creditors were written off. The effect of the restatement is as follows:

<b>Statement of financial position</b>		
Decrease in Payables from exchange transactions	-	857,511
Decrease in Payables from non-exchange transactions	-	249,129
Decrease in Other receivables from exchange transactions	-	(10,422)
Increase in Accumulated Surplus	-	(1,096,218)
	<u>-</u>	<u>-</u>

# Mangaung Metropolitan Municipality

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### 59. Prior period errors (continued)

#### 6. Prior period error - FRESHCO transactions

During the year, additional information relating to the FRESHCO transaction was available and corrections were made. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in FRESHCO liability	-	1,529,655
Increase in accumulated depreciation	-	(258,003)
Increase in accumulated surplus	-	(14,981)
Decrease in property, plant and equipment	-	(11,509,530)
Increase in property, plant and equipment - work in progress	-	10,595,858

##### Statement of financial performance

Increase in rental income	-	(735,822)
Increase in depreciation	-	392,823
	-	-

#### 7. Prior period error - Correction of deferred lease revenue

During the prior year, an error was made in the calculation of the deferred lease revenue. This amount was adjusted. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in payables from exchange transactions	-	567,131
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##### Statement of financial performance

Decrease in general expenses	-	(567,131)
	-	-

#### 8. Prior period error - Revenue forgone

During the prior year, an error regarding the classification between revenue forgone and grant expenditure was made. The effect of the restatement is as follows:

##### Statement of financial performance

Increase in Grants and subsidies paid	-	164,027,429
Increase in Service charges - Refuse removal	-	(50,343,329)
Increase in Service charges - Sale of water	-	(6,699,155)
Increase in Service charges - Sewerage and sanitation charges	-	(100,511,973)
Increase in Property rates	-	(6,472,972)
	-	-

#### 9. Prior period error - Reclassification of investment property

Re-classification of land parcels originally classified as Investment property, to PPE and Inventory. The re-classification was done based on information that became available during the transfer of assets to the Asset Management System and linking individual properties to a Geographical information system. The effect of the restatement is as follows:

##### Statement of financial position

Increase in cost of PPE - Land	-	500,272,915
Increase in cost of PPE - Buildings	-	4,281,485
Decrease in Investment property	-	(583,086,000)
Increase in Inventory	-	13,715,966
Increase in Revaluation reserve	-	(148,156,163)
Decrease in Accumulated surplus	-	184,705,367
Increase in Accumulated depreciation	-	(119,622)

##### Statement of financial performance

Increase in Depreciation	-	119,622
Decrease in Fair value adjustments	-	32,666,830
Increase in Other income from non-exchange transactions - Donations	-	(4,400,400)
	-	-

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## Notes to the Consolidated Annual Financial Statements

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<b>59. Prior period errors (continued)</b>		
<b>10. Prior period error - Adjustment to buildings (Supplementary valuation roll 8)</b>		
Valuations of 3 Heidedal properties (22064, 9367 and 9492) adjusted downwards as per Supplementary roll 8. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Cost of PPE - Land	-	(945,533)
Increase in Cost of PPE - Buildings	-	23,533
Decrease in Revaluation reserve	-	261,532
Decrease in Accumulated surplus	-	665,348
Increase in Accumulated depreciation	-	(5,230)
<b>Statement of financial performance</b>		
Increase in Depreciation	-	350
	-	-
<b>11. Prior period error - Adjustment to buildings (Supplementary valuation roll 3)</b>		
Valuations adjusted as per Supplementary roll 3, applicable to Investment Property not considered. During the reclassification of Investment Properties to PPE, the value to two Grassland plots were adjusted from R57 million to R110 thousand each. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Cost of PPE - Land	-	(113,890,000)
Decrease in Accumulated surplus	-	80,360,030
Decrease in Revaluation reserve	-	33,529,970
	-	-
<b>12. Prior period error - Reclassification of land to inventory</b>		
Land was reclassified to inventory as a result of additional information identified. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Inventory		24,112
Decrease in Cost of PPE - Land		(150,000)
Decrease in Revaluation reserve		38,583
Decrease in Accumulated surplus		87,305
		-
<b>13. Prior period error - Transfer of work in progress</b>		
Community assets completed in the prior year were not transferred from the work in progress account during the prior year. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Cost of PPE - Community assets	-	16,712,065
Decrease in Cost of PPE - Buildings	-	(16,712,065)
	-	-
<b>14. Prior period error - Accruals from prior years not reversed</b>		
Accruals that were raised in prior financial years were not correctly reversed. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Payables from exchange transactions - Trade payables	-	11,701,538
Increase in accumulated surplus	-	(4,347,162)
Increase in VAT payable	-	(985,494)
<b>Statement of financial performance</b>		
Decrease in general expenditure - Sundry expenses	-	(6,368,882)
	-	-

# Mangaung Metropolitan Municipality

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## Notes to the Consolidated Annual Financial Statements

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<b>59. Prior period errors (continued)</b>		
<b>15. Prior period error - Finance leases current and non-current portion</b>		
During the current year it was noted that the current and non-current portion of the finance leases were incorrectly disclosed in the prior year. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in the current portion of finance leases	-	31,374,974
Increase in the non-current portion of finance leases	-	(31,374,974)
	-	-
<b>16. Prior period error - Intangible Assets</b>		
Intangible assets that should have been expensed in prior years were incorrectly capitalised. Furthermore the accumulated amortisation on intangible assets were now correctly disclosed. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Intangible assets	-	(2,000,000)
Increase in Accumulated amortisation of intangible assets	-	(5,313)
Decrease in Accumulated surplus	-	2,005,313
	-	-
<b>17. Prior period error - Land Availability Agreement</b>		
Land relating to the Land Availability Agreement was not allocated to inventory and property, plant and equipment in prior years. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Inventory	-	4,879,977
Increase in Cost of PPE - Land	-	4,770,740
Increase in Accumulated surplus	-	(9,650,717)
	-	-
<b>18. Prior period error - Sidewalks</b>		
Sidewalks from 2014 capitalised from expenditure to work in progress. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Cost of PPE - Infrastructure WIP	-	17,244,753
<b>Statement of financial performance</b>		
Increase in Repairs and maintenance	-	(17,244,753)
	-	-
<b>19. Prior period error - Cemeteries</b>		
During the year under review the cemeteries register was reconstructed. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Cost of PPE - Community Assets	-	18,053,582
Decrease in Cost of PPE - Community Assets - WIP	-	(1,162,516)
Increase in Accumulated depreciation of PPE - Community assets	-	(6,857,788)
Increase in Accumulated surplus	-	(10,940,039)
<b>Statement of financial performance</b>		
Increase in Depreciation	-	906,761
	-	-



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## Notes to the Consolidated Annual Financial Statements

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<b>59. Prior period errors (continued)</b>		
<b>20. Prior period error - Restatement of water meter register</b>		
Amendments due to revised asset register. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Cost of PPE - Infrastructure	-	40,080,878
Increase in Accumulated depreciation of PPE - Infrastructure	-	(19,580,722)
Increase in Accumulated surplus	-	(24,156,274)
<b>Statement of financial performance</b>		
Increase in Depreciation	-	3,656,118
	-	-
<b>21. Prior period error - Restatement of the intersections register</b>		
During the year under review the intersections register was reconstructed. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Cost of PPE - Infrastructure	-	(43,478,161)
Decrease in Accumulated depreciation of PPE - Infrastructure	-	32,774,414
Decrease in Accumulated surplus	-	14,663,318
<b>Statement of financial performance</b>		
Decrease in depreciation	-	(3,959,571)
	-	-
<b>22. Prior period error - VAT Payable correction</b>		
During the current year a reconciliation was performed on the VAT Payable (Input VAT and Output VAT) and long outstanding items were written off. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in VAT Payable	-	(26,835,975)
Decrease in Payables from exchange transactions	-	17,077,791
Decrease in Accumulated surplus	-	9,758,184
	-	-
<b>23. Prior period error - Depreciation on Other PPE not recorded</b>		
Depreciation on Other assets were not recorded on the financial system as per the asset registers. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Accumulated depreciation of PPE - Other PPE	-	(9,042,535)
<b>Statement of financial performance</b>		
Increase in Depreciation	-	9,042,535
	-	-
<b>24. Prior period error - Swimming pools</b>		
During the year, it was identified that projects captured in work in progress should have been capitalised during the prior year. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Cost of PPE - Community Assets	-	2,500,829
Decrease in Cost of PPE - Community Assets WIP	-	(733,850)
Increase in Accumulated depreciation of PPE - Community Assets	-	(757,527)
Increase in Accumulated surplus	-	(1,128,629)
<b>Statement of financial performance</b>		
Increase in Depreciation	-	119,177
	-	-

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### 59. Prior period errors (continued)

#### 25. Prior period error - Sports grounds

During the year, it was identified that projects captured in work in progress should have been capitalised during the prior year. The effect of the restatement is as follows:

##### Statement of financial position

Increase in Cost of PPE - Community Assets	-	268,205,998
Decrease in Cost of PPE - Community Assets WIP	-	(2,759,415)
Increase Accumulated depreciation of PPE - Community Assets	-	(72,517,893)
Increase in Accumulated surplus	-	(203,375,606)

##### Statement of financial performance

Increase in Depreciation	-	10,446,916
	-	-

#### 26. Prior period error - Parks

During the year, the asset register was reconstructed. The effect of the restatement is as follows:

##### Statement of financial position

Increase in Cost of PPE - Community assets	-	62,048,576
Increase in Accumulated depreciation of PPE - Community assets	-	(22,096,960)
Increase in Accumulated surplus	-	(43,107,992)

##### Statement of financial performance

Increase in Depreciation	-	3,156,376
	-	-

#### 27. Prior period error - Landfill sites

During the year, it was identified that projects captured in work in progress should have been capitalised during the prior year. The effect of the restatement is as follows:

##### Statement of financial position

Increase in Cost of PPE - Community Assets	-	20,311,931
Decrease in Cost of PPE - Community Assets - WIP	-	(20,311,931)

#### 28. Prior period error - Hawker Stalls

During the year, the asset register was reconstructed. The effect of the restatement is as follows:

##### Statement of financial position

Increase in Cost of PPE - Community assets	-	7,855,755
Increase in Accumulated depreciation of PPE - Community assets	-	(4,830,824)
Increase in Accumulated surplus	-	(3,715,442)

##### Statement of financial performance

Increase in Depreciation	-	690,511
	-	-

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<b>59. Prior period errors (continued)</b>		
<b>29. Prior period error - CCTV Cameras - Law enforcement Additions</b>		
During the current year CCTV cameras used for law enforcement were identified which replaced old cameras, but were not recorded as additions. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Cost of PPE - Community Assets	-	16,270,907
Decrease in Cost of PPE - Community Assets - WIP	-	(2,000,000)
Increase in Accumulated depreciation of PPE - Community Assets	-	(8,059,409)
Increase in Accumulated surplus	-	(7,997,538)
<b>Statement of financial performance</b>		
Increase in Depreciation	-	1,786,040
	-	-
<b>30. Prior period error - CCTV Cameras - Law enforcement Disposals</b>		
<b>Statement of financial position</b>		
Decrease in Cost of PPE - Community Assets	-	(18,456,436)
Decrease in Accumulated depreciation of PPE - Community Assets	-	7,758,387
Decrease in Accumulated surplus	-	11,806,390
<b>Statement of financial performance</b>		
Decrease in depreciation	-	(1,108,341)
	-	-
<b>31. Prior period error - Fire arms disposal</b>		
During the prior year fire arms were disposed of but not recorded in the accounting records. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Cost of PPE - Other PPE	-	(4,533)
Increase in Accumulated depreciation of PPE - Other PPE	-	1,463
Decrease in Accumulated surplus	-	3,070
	-	-
<b>32. Prior period error - Owned fleet disposals</b>		
During the prior year fleet were disposed of but not recorded in the accounting records. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Cost of PPE - Other PPE	-	(993,800)
Increase in Accumulated depreciation of PPE - Other PPE	-	90,225
<b>Statement of financial performance</b>		
Decrease in Depreciation	-	(13,225)
Increase in Loss on disposal of assets	-	916,800
	-	-
<b>33. Prior period error - Owned fleet - add back</b>		
During the prior year fleet were recorded as disposed of, but were not disposed of. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Cost of PPE - Other PPE	-	828,448
Increase in Accumulated depreciation of PPE - Other Assets	-	(517,671)
Increase in Accumulated surplus	-	(415,960)
<b>Statement of financial performance</b>		
Increase in Depreciation	-	105,183
	-	-

# Mangaung Metropolitan Municipality

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### 59. Prior period errors (continued)

#### 34. Prior period error - Infrastructure additions

During the current year Delphi sessions were conducted and additional assets were identified and recorded on the asset register. The effect of the restatement is as follows:

##### Statement of financial position

Increase in Cost of PPE - Infrastructure assets	-	391,046,265
Increase in Accumulated depreciation of PPE - Infrastructure assets	-	(127,798,779)
Increase in Accumulated surplus	-	(282,531,950)

##### Statement of financial performance

Increase in Depreciation	-	19,284,464
	-	-

#### 35. Prior period error - Infrastructure WIP capitalisation

Infrastructure assets constructed and completed in prior years were now unbundled and capitalised. These assets were previously disclosed as work in progress. The effect of the transaction is as follows:

##### Statement of financial position

Decrease in Cost of PPE - Infrastructure WIP	-	(401,346,670)
Increase in Cost of PPE - Infrastructure assets	-	356,086,110
Increase Accumulated depreciation of PPE - Infrastructure	-	(10,186,005)
Decrease in Accumulated surplus	-	47,391,433

##### Statement of financial performance

Increase in Depreciation	-	8,055,132
	-	-

#### 36. Prior period error - Leave provision

The leave provision calculation performed by management in the past did not account for the sick leave benefit provided by council. The effect of the restatement is as follows:

##### Statement of financial position

Increase in Payables from exchange transactions - Accrued leave pay	-	(10,697,428)
Decrease in Accumulated surplus	-	9,810,186

##### Statement of financial performance

Increase in Employee related costs - Staff leave pay provision	-	887,242
	-	-

#### 37. Prior period error - Leased fleet disposal

During the prior year vehicles were disposed of but not recorded in the accounting records of the entity. The effect of the restatement is as follows:

##### Statement of financial position

Decrease in Cost of PPE - Other PPE	-	(1,621,232)
Increase in Accumulated depreciation of PPE - PPE	-	44,121

##### Statement of financial performance

Increase in Loss on disposal of assets	-	1,621,232
Decrease in Depreciation	-	(44,121)
	-	-

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>59. Prior period errors (continued)</b>		
<b>38. Prior period error - Movables disposed of in the prior year</b>		
During the prior year movable assets were incorrectly recorded as disposals. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Cost of PPE - Other Assets	-	1,075,493
Increase in Accumulated depreciation of PPE - Other Assets	-	(404,359)
<b>Statement of financial performance</b>		
Increase in Depreciation	-	62,892
Decrease in Loss on disposal of assets	-	(734,026)
	-	-
<b>39. Prior period error - Expenditure incorrectly capitalised</b>		
During the prior year general expenditure which does not meet the definition of assets were incorrectly capitalised to Other assets. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Cost of PPE - Other PPE	-	(5,474,705)
<b>Statement of financial performance</b>		
Increase in General Expenses	-	5,474,705
	-	-
<b>40. Prior period error - Other Assets opening balances</b>		
During the prior year the Other Asset asset registers did not agree to the opening balances of Other assets. The effect of the correction is as follows.		
<b>Statement of financial position</b>		
Increase in the Cost of PPE - Other PPE	-	4,690
Increase in Accumulated depreciation of PPE - Other PPE	-	(1,000,180)
Decrease in Accumulated surplus	-	995,490
	-	-
<b>41. Prior period error - Disposal not completed</b>		
During the year it was identified that other assets were incorrectly derecognised. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in the Cost of PPE - Other Assets	-	563,112
Increase in Accumulated depreciation of PPE - Other Assets	-	(195,715)
<b>Statement of financial performance</b>		
Increase in Depreciation	-	11,853
Decrease in loss on sale of assets	-	(379,250)
	-	-
<b>42. Prior period error - Debtors with credit balances not cleared</b>		
Debtors with credit balances which have no supporting documentation were reversed. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Payables from non-exchange transactions - Payments received in advance	-	1,469,076
Increase in Accumulated surplus	-	(1,469,076)
	-	-

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>59. Prior period errors (continued)</b>		
<b>43. Prior period error - Inaccurate classification of Revenue</b>		
During the prior year, Donations received were incorrectly classified as Other income under Revenue from exchange transactions, The effect of the correction is as follows:		
<b>Statement of financial performance</b>		
Decrease in Other income from exchange transactions - Donations	-	6,957,193
Increase in Other income from non-exchange transactions - Donations	-	(6,957,193)
	-	-
<b>44. Prior period error - Inaccurate classification of Fines Receivables</b>		
During the prior year the Receivables raised in respect of Fines revenue were incorrectly classified as Other receivables from exchange transactions. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Other Receivables from exchange transactions - Sundry Receivables	-	(77,268,182)
Decrease in Other Receivables from exchange transactions - Sundry Receivables Impairment	-	73,752,531
Increase in Other Receivables from non-exchange transactions - Sundry Receivables	-	77,268,182
Increase in Other Receivables from non-exchange transactions - Sundry Receivables Impairment	-	(73,752,531)
	-	-
<b>45. Prior period error - Assets with zero carrying values</b>		
During the current year assets were identified which are significant to the service delivery of the entity, and have been fully depreciated. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in the Cost of PPE - Infrastructure assets	-	60,792,848
Decrease in the Accumulated depreciation of PPE - Infrastructure assets	-	105,408,859
Increase in Accumulated surplus	-	(141,411,960)
<b>Statement of financial performance</b>		
Increase in Depreciation	-	10,422,394
Decrease in loss on sale of assets	-	(35,212,141)
	-	-
<b>46. Prior period error - Buildings on Naval Hill</b>		
The Observatory building was incorrectly disclosed as part of land in the prior years. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Cost of PPE - Land	-	(6,030,000)
Increase in Cost of PPE - Buildings	-	6,030,000
Increase in Accumulated depreciation	-	(177,353)
Increase in Revaluation reserve	-	(1,345,490)
Decrease in Accumulated surplus	-	1,345,490
<b>Statement of financial performance</b>		
Increase in Depreciation	-	177,353
	-	-
<b>47. Prior period error - Land duplicated</b>		
Correction of Investment Property and Inventory. The Momument Clinic was duplicated on the investment property register, and a substation was incorrectly included in the inventory register. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Investment property	-	(73,000)
Decrease in Inventory	-	(19,822)
Decrease in Accumulated surplus	-	92,822
	-	-

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Figures in Rand	2015	2014
<b>59. Prior period errors (continued)</b>		
<b>48. Prior period error - Expenditure incorrectly capitalised</b>		
During the prior year expenditure relating to the maintenance and repairs of landfill sites were incorrectly capitalised to the WIP of Community assets.		
<b>Statement of financial position</b>		
Decrease in Cost of PPE - Community assets WIP	-	(10,586,134)
Decrease in Accumulated surplus	-	1,202,239
<b>Statement of financial performance</b>		
Increase in General expenditure - Rehabilitation of landfill sites and quarries	-	9,383,895
	-	-
<b>50. Prior period error - Self insurance reserve</b>		
During the year, comprehensive short-term insurance was acquired to insure the entity against asset loss and claims. An adjustment was made to decrease the value of the self-insurance reserve as a result of the reduced risk.		
<b>Statement of financial position</b>		
Decrease in Self insurance reserve	-	72,209,573
Increase in Accumulated surplus	-	(72,209,573)
	-	-
<b>51. Prior period error - Water meters</b>		
Derecognition of the actual cost for water meters recorded on deemed cost. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Decrease in Cost of PPE - Infrastructure WIP	-	(86,661,872)
Decrease in Accumulated surplus	-	28,644,588
<b>Statement of financial performance</b>		
Increase in Repairs & Maintenance	-	58,017,284
	-	-
<b>52. Prior period error - Infrastructure WIP capitalised</b>		
Infrastructure projects capitalised out of WIP. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Cost of PPE - Infrastructure	-	111,768,822
Decrease in Cost of PPE - Infrastructure WIP	-	(111,768,822)
Increase in Accumulated Depreciation of PPE - Infrastructure	-	(22,353,764)
<b>Statement of financial performance</b>		
Increase in Depreciation	-	22,353,764
	-	-
<b>53. Prior period error - Rehabilitation provision</b>		
During the prior year the time value of money was not taken into account when the rehabilitation provision was calculated. The effect of the restatement is as follows:		
<b>Statement of financial position</b>		
Increase in Cost of PPE - Community assets	-	27,419,593
Increase in Provisions - Short term portion	-	(233,272,236)
Decrease in Provisions - Long term portion	-	243,978,526
<b>Statement of financial performance</b>		
Decrease in General expenses	-	(38,125,883)
	-	-

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### 59. Prior period errors (continued)

#### 54. Prior period error - Correction of WIP classification

During the current year WIP classification between Infrastructure assets and Community assets were corrected. The effect of the restatement is as follows:

##### Statement of financial position

Increase in Cost of PPE - Community WIP	-	17,658,387
Decrease in Cost of PPE - Infrastructure WIP	-	(18,991,965)
Decrease in Accumulated surplus	-	1,333,578
	-	-

#### 55. Prior period error - Classification of land

During the current year it was identified that certain properties were incorrectly classified as Investment property and Land instead of Inventory. The effect of the restatement is as follows:

##### Statement of financial position

Increase in Inventory	-	2,746,537
Decrease in Cost of PPE - Land	-	(9,074,795)
Decrease in Investment property	-	(7,352,000)
Decrease in Revaluation reserve	-	2,397,301
Decrease in Accumulated surplus	-	11,074,957

##### Statement of financial performance

Decrease in Fair value adjustment	-	208,000
	-	-

#### 56. Prior period error - Public connection income

During the period under review it was noted that amounts received during the 2013/2014 financial year was never recognised as revenue after the connections were made due to the fact that the completions date of the connections was not available at that time.

The comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:

##### Statement of financial position

Decrease in payables from exchange transactions	-	8,505,658
	-	(8,505,658)
	-	-

#### 57. Prior period error - Public connection refunds

During the period under review it was noted that amounts received during the 2013/2014 financial year for public connections were incorrectly recognised as revenue even though the amount received was refunded to the applicant. This revenue was derecognised due to the fact that the connections were never made and a refund was made as per the applicant's requests. The comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:

##### Statement of financial position

Increase in payables from exchange transaction	-	(8,339)
	-	8,339
	-	-



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Figures in Rand	2015	2014
<b>59. Prior period errors (continued)</b>		
<b>58. Prior period error - Provision for leave pay understated</b>		
During the period under review it was noted that the provision for leave was understated. The comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Increase in payables from exchange transactions	-	(2,216,547)
<b>Statement of financial performance</b>		
Increase in employee related costs	-	2,216,547
	<u>-</u>	<u>-</u>
<b>59. Prior period error - Third party vendors commission</b>		
During the period under review it was noted that an amount for third party vendors commission owed at year end was never accrued for as at 30 June 2014. The comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Increase in payables from exchange transactions	-	(1,749)
<b>Statement of financial performance</b>		
Increase in general expenditure	-	1,749
	<u>-</u>	<u>-</u>
<b>60. Prior period error - Insurance claims received not recorded in Statement of Financial Performance</b>		
During the period under review it was noted that amounts relating to insurance debtors recorded in 2012/13 financial year will not be received as it was held as a credit amount under consumer receivables from exchange transactions and should not have been recognised as income received from insurance. The comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Decrease in other receivables from exchange transactions	-	(2,976,249)
Decrease in accumulated surplus or deficit	-	2,976,249
	<u>-</u>	<u>-</u>
<b>61. Prior period error - Interest earned by the Southern Free State Towns</b>		
During the period under review it was noted that interest income levied on Southern Free State Towns consumer receivables in arrears was recorded as Centlec interest income. The comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Decrease in other receivables from exchange transactions	-	(285,052)
<b>Statement of financial performance</b>		
Decrease in interest income	-	285,052
	<u>-</u>	<u>-</u>
<b>62. Prior period error - ACB's uncashed</b>		
During the period under review it was noted that uncashed ACB's was never reversed and cancelled. These cheques relate to payments that were made during the 2012/2013 year. The comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Increase in cash and cash equivalents	-	58,688
Increase in accumulated surplus or deficit	-	(58,688)
	<u>-</u>	<u>-</u>

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>59. Prior period errors (continued)</b>		
<b>63. Prior period error - Public connection income</b>		
During the period under review it was noted that an amount was incorrectly recognised as public connection income. The comparative statements for the 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Increase in payables from exchange transactions	-	(44,872)
<b>Statement of financial performance</b>		
Decrease in public connection income	-	44,872
	-	-
<b>64. Prior period error - Operating lease liability</b>		
During the period under review it was noted that the straight lining calculation for the Free State Development Corporation operating lease was incorrect. The calculation was corrected and the comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Increase in operating lease liability	-	(11,782)
<b>Statement of financial performance</b>		
Increase in general expenditure	-	11,782
	-	-
<b>65. Prior period error - Operating lease utility expense</b>		
During the period under review it was noted a amount for utilities payable to TFMC was never accrued as at 30 June 2014. The comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Increase in payables from exchange transactions	-	(669,922)
<b>Statement of financial performance</b>		
Increase in general expense	-	669,922
	-	-
<b>66. Prior period error - Interest on long outstanding debtors</b>		
During the period under review it was noted that an amount relating to prior year interest on long outstanding consumer debtors was incorrectly reversed in the current year. A correction was made and the comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Increase in payments received in advance	-	(15,860,436)
Decrease in accumulated surplus or deficit	-	5,347,339
<b>Statement of financial performance</b>		
Decrease in interest income	-	10,513,097
	-	-
<b>67. Prior period error - Reclassifying of Vendors accounts receivable</b>		
During the period under review it was noted that in the prior year, vendor accounts were incorrectly allocated to consumer deposits and payments received in advance instead of other receivables from exchange transactions. A reclassification correction was made and the comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Increase in other receivables from exchange transactions	-	22,735
Decrease in consumer deposits	-	5,000
Increase in payments received in advance	-	(27,735)
	-	-

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## Notes to the Consolidated Annual Financial Statements

Figures in Rand	2015	2014
<b>59. Prior period errors (continued)</b>		
<b>68. Prior period error - Reclassifying of utilities expense</b>		
During the period under review it was decided to show utilities expense as a separate line item under general expense. A reclassification was done for the prior period and the comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial performance</b>		
Decrease in general expense - other expenses	-	(185,891)
Increase in general expense - utilities expense	-	185,891
	-	-
<b>69. Prior period error - Reclassifying of input VAT</b>		
During the period under review it was noted that the input VAT relating to the Southern Free State towns was incorrectly classified as part of the Southern Free State towns loan accounts. A reclassification was done for the prior period and the comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Decrease in Other receivables from exchange transactions	-	(9,636,459)
Decrease in VAT liability	-	9,636,459
	-	-
<b>70. Prior period error - Revaluation reserve</b>		
During the period under review it was noted that the revaluation done during the 2012/13 financial year was not done per individual asset and subsequently the amount transferred for each revalued asset can not be determined. The revaluation was not done in such a way that the revaluation surplus could be transferred to the accumulated surplus when the assets were derecognised. The revaluation reserve was adjusted and the comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Decrease in the Revaluation reserve	-	70,967,507
Increase in Accumulated surplus	-	(70,967,507)
	-	-
<b>71. Prior period error - VAT on debt impairment calculation</b>		
During the period under review it was noted that the provision for debt impairment included VAT. This resulted in VAT incorrectly being expensed in the statement of financial performance. A correction was made and the comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial position</b>		
Increase in VAT Payable	-	1,464,159
<b>Statement of financial performance</b>		
Decrease in Debt impairment	-	(1,464,159)
	-	-
<b>72. Prior period error - Inter departmental consumption</b>		
During the period under review it was noted that inter departmental consumption was incorrectly accounted for as both a service charge and a general expense. A correction was made and the comparative statements for 2013/14 financial year have been restated. The effect of the correction of the error(s) is summarised below:		
<b>Statement of financial performance</b>		
Decrease in general expenses	-	(1,027,519)
Decrease in service charges	-	1,027,519
	-	-

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### 60. Comparative figures

Certain comparative figures have been reclassified to more closely reflect their purpose.

The effects of the reclassification are as follows:

#### Statement of financial performance

Loss on disposal of assets	-	(1,421,276)
Gain on fair value adjustments on assets	-	41,322,260
Gain on disposal of non-current assets	-	1,421,276
Fair value adjustments	-	(98,099,260)
Actuarial gains/losses	-	56,777,000

Gain on disposal of assets	-	1,418,206
Other income - Sale of erven	-	(1,418,206)

#### Other income

Analysis of industrial effluent	-	(2,335,401)
Clearance certificates	-	(1,814,478)
Connection and reconnection of water	-	(1,356,677)
Entrance fees	-	(40,970)
Parking fees	-	(1,982)
Sale of redundant material	-	(4,749)
Sale of tender documents	-	(1,149,302)
Unclaimed deposits and stale cheques	-	(868,780)
Sundry income	-	7,572,339

#### Contracted services

Meter reading services	-	20,124,785
Other contractors	-	(20,124,785)

### 61. Risk management

#### Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing financial risks. Further quantitative disclosures are included throughout the Annual Financial Statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principles on foreign exchange risk, interest rate risk, credit risk and in the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

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### 61. Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the entity maintains flexibility in funding by maintaining availability under committed credit lines.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The entity has not defaulted on external loans, payables and lease commitment payments and no re-negotiation of terms were made on any of these instruments.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	Less than 1 year	Between 1 and 5 years	More than 5 years
Borrowings	35,002,985	178,048,790	379,133,799
Finance lease obligation	41,538,934	66,592,238	-
Trade payables from exchange transactions	737,807,025	-	-
Trade payables from non-exchange transactions	279,414,560	-	-
Operating lease obligations	304,171	96,338	-
At 30 June 2014	Less than 1 year	Between 1 and 5 years	More than 5 years
Borrowings	8,586,358	40,010,501	143,266,607
Finance lease obligation	56,095,130	87,420,438	-
Trade payables from exchange transactions	633,406,356	-	-
Trade payables from non-exchange transactions	146,443,906	-	-
Operating lease obligations	149,479	234,323	-

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### 61. Risk management (continued)

#### Credit risk

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.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity 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.

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been recorded accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

Receivables are presented net of an allowance for impairment.

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

Financial instrument	2015	2014
Cash and cash equivalents	362,036,370	452,151,763
Investments	313,462,646	186,559,010
Consumer receivables from exchange transactions	643,042,057	556,856,959
Consumer receivables from non-exchange transactions	377,650,411	347,938,313
Other receivables from exchange transactions	88,371,774	65,309,463
Other receivables from non-exchange transactions	2,337,243	3,515,651
Other non-current receivables from exchange transactions	4,954,298	3,770,148
Financial instruments designated at fair value	32,498	22,815

The entity is exposed to a number of guarantees for housing loans of employees. Refer to note 55 for additional details.

These balances represent the maximum exposure to credit risk.

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year to the entity's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of interest rate risks and foreign currency risks:

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### 61. Risk management (continued)

#### Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates.

At year-end, financial instruments exposed to interest rate risk were as follows:

- Call, notice and fixed deposits
- Development Bank of South Africa and Standard Bank of South Africa Limited loans
- Finance and operating lease obligation

The entity's interest rate risk arises from long-term borrowings and lease obligations. Borrowings and lease obligations issued at variable rates expose the entity to cash flow interest rate risk.

Borrowings and lease obligations issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to make as far as possible use of fixed rate instruments. During 2015 and 2014, the entity's borrowings at variable rate were denominated in the Rand.

#### Fair values:

The fair value of financial assets with standard terms and conditions and traded in an active market is determined with reference to quoted market bid prices and ask prices respectively.

Figures in Rand	Cost Price		Fair Value	
	2015	2014	2015	2014
<b>Financial instrument</b>				
Financial instruments at fair value - OVK Limited	2,535	2,535	32,498	22,815

#### Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk, it also does not hedge foreign exchange fluctuations.

### 62. Going concern

We draw attention to the fact that at 30 June 2015, the entity had an accumulated surplus of R 11,485,941,640 and that the entity's total assets exceed its liabilities by R 13,944,195,699.

The consolidated 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.

Although certain going concern ratios may appear unfavourable, the entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 1 of 2015).

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

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### 63. Unauthorised expenditure

Opening balance	1,067,601,004	394,504,039
Unauthorised expenditure - current year	996,013,695	673,096,965
	<b>2,063,614,699</b>	<b>1,067,601,004</b>

#### Incidents regarding 2014/2015

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructural services	None	445,098,667	-
Overspending by Water services	None	27,683,276	-
Overspending by Miscellaneous services	None	523,231,753	-
		<b>996,013,696</b>	<b>-</b>

#### Incidents regarding 2013/2014

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	335,548,820
Water services	None	-	6,503,968
Overspending by Miscellaneous services	None	-	324,571,205
		<b>-</b>	<b>666,623,993</b>

#### Incidents regarding 2012/2013

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	19,535,661

#### Incidents regarding 2011/2012

	Disciplinary steps taken / criminal proceedings		
Overspending by Finance directorate	None	-	35,020,886
Overspending by Infrastructure services	None	-	29,551,033
Overspending by Regional operations	None	-	159,247,863
Overspending by Miscellaneous services	None	-	44,318,396
Overspending by Corporate services	None	-	37,317,682
Overspending by Fresh Produce Market	None	-	177,295
Overspending by Water services	None	-	1,623,331
		<b>-</b>	<b>307,256,486</b>

#### Incidents regarding 2010/2011

	Disciplinary steps taken / criminal proceedings		
Overspending by Fresh Produce Market	None	-	417,912
Overspending by Miscellaneous services	None	-	29,774,764
Overspending by Water services - Operating	None	-	23,353,983
Overspending by Water services - Capital	None	-	14,165,233
		<b>-</b>	<b>67,711,892</b>



# Mangaung Metropolitan Municipality

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### 63. Unauthorised expenditure (continued)

The unauthorized expenditure relates to the following:

#### *Infrastructural services:*

The following were the major contributors to the over expenditure on Infrastructure

Depreciation, Amortisation and Impairment of assets over expenditure amounted to R308,499,080 (budgeted amount of R235,937,962 vs actual expenditure amounting to R544,387,042).

Expenditure relating to the fair value adjustments on the landfill and quarries provision was not budgeted for resulting in an over expenditure of R19,335,897.

#### *Water:*

Expenditure budgeted under capital expenditure which related to the actual cost of water meters amounted to R37 462 092. The expenditure did not meet the capitalisation criteria and could therefore not be capitalised, but expensed.

#### *Miscellaneous services:*

The over expenditure on Miscellaneous services relates to the following items:

1. Impairment of receivables exceeded the budget amount by R365,188,219.
2. Fair value adjustments to the defined benefit obligation resulted in current and past service costs, actuarial gain and interest costs exceeding the budgeted amount by R38,491,465.

Refer to Appendix E(1) and E(2) for more details.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

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<b>64. Fruitless and wasteful expenditure</b>		
Opening balance	28,324,936	97,244,905
Fruitless and wasteful expenditure for the current year	213,967	225,791
Amounts written off by council	-	(69,145,760)
	<b>28,538,903</b>	<b>28,324,936</b>
<b>Incidents regarding 2014/2015</b>		
	Disciplinary steps taken / criminal proceedings	
Interest paid to Eskom due to late payment	None	20,469
Interest paid to FDC due to late payment	None	256
Interest paid to Lawyers due to late payment	None	5,549
Interest paid to Pec Marketing due to late payment	None	402
Interest paid to Telkom due to late payment	None	57,044
Interest paid to SARS due to late payment	None	45,077
Interest paid to Phethogo Consulting CC due to late payment	None	78,938
Interest paid to UMFA due to late payment	None	213
Interest paid to Merchant West (Pty) Ltd due to late payment	None	1,155
Interest on late payment of SDL to SARS. (Centlec (SOC) Ltd)	None	210
Late payment of FDC rentals (Centlec (SOC) Ltd)	None	4,586
Interest incurred on late payment of ESKOM Electricity accounts (Centlec (SOC) Ltd)	None	68
		<b>213,967</b>
<b>Incidents regarding 2013/2014</b>		
	Disciplinary steps taken / criminal proceedings	
Interest paid to Eskom due to late payment	None	138,247
Interest paid to FDC due to late payment	None	783
Interest paid to Broll due to late payment	None	976
Interest paid to Bloemwater due to late payment	None	240
Interest paid to Lawyers due to late payment	None	769
Interest paid to Pec Marketing due to late payment	None	417
Interest paid to Dlamini and Associates due to late payment	None	525
Interest paid to Standard Bank of South Africa due to late payment	None	3,818
Interest paid to Wright Rose Innes INC due to late payment	None	2,360
Interest paid to Dierehospitaal due to late payment	None	208
		<b>148,343</b>
<b>Incidents regarding 2012/2013</b>		
	Disciplinary steps taken / criminal proceedings	
Interest paid to Ruwacon (Pty) Ltd due to late payment	None	42,879
Interest paid to Eskom due to late payment	None	41,415
Interest paid to FDC due to late payment	None	804
Interest paid to Rossouws Attorneys due to late payment	None	390
Interest paid to Rural Maintenance (Pty) Ltd due to late payment	None	57
No Show penalty for 7 Councillors on 29 January 2013, for accommodation at Protea Hotel	None	12,247
Interest paid to UMFA/FS Business Trust due to late payment	None	165
Interest and penalties paid to SARS due to late submission of a VAT return	None	147,204
Interest paid to Bloemwater due to late payment	None	4,851
Interest paid to Merchant West (Pty) Ltd due to late payment	None	60,820
Interest paid to Telkom SA limited due to late payment	None	100,031
Interest paid to Lawyers due to late payment	None	11,506
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	375,765
		<b>798,134</b>
<b>Incidents regarding 2011/2012</b>		
	Disciplinary steps taken / criminal proceedings	
Penalties and interest paid on the late submission of a VAT return.	None	113,832

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<b>64. Fruitless and wasteful expenditure (continued)</b>			
Penalties and interest paid on the late submission VAT return of prior years	None	-	13,816,522
Interest paid on overdue accounts	None	-	31,163
Interest paid on overdue accounts - Telkom	None	-	38,520
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	-	378,254
			<b>14,378,291</b>
<b>Incidents regarding 2010/2011</b>	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of a VAT return.	None	-	7,729,134
Penalties and interest paid on the late submission of PAYE, UIF and SDL	None	-	171,147
			<b>7,900,281</b>
<b>Incidents regarding 2009/2010</b>	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of VAT return.	None	-	5,099,888
<b>65. Irregular expenditure</b>			
Opening balance		247,819,554	540,288,069
Add: Irregular Expenditure - current year		41,614,683	46,980,591
Add: Irregular Expenditure - prior years		-	498,737
Less: Irregular expenditure - write off in respect of prior years		-	(310,515,976)
Less: Irregular expenditure - write off in respect of current year		-	(29,431,867)
		<b>289,434,237</b>	<b>247,819,554</b>
<b>Analysis of expenditure awaiting condonation per age classification</b>			
Current year		41,614,683	17,548,724
Prior years		247,819,554	230,270,830
		<b>289,434,237</b>	<b>247,819,554</b>
<b>Details of irregular expenditure – current year</b>	Disciplinary steps taken/criminal proceedings		
Expenditure items identified where the supply chain process was not followed	The expenditure was identified during the current financial year and still needs to be investigated.		41,614,683
<b>66. Additional disclosure in terms of Municipal Finance Management Act</b>			
<b>Contributions to organised local government</b>			
Current year subscription / fee		11,096,000	10,400,000
Amount paid - current year		(11,096,000)	(10,400,000)
		-	-

Contributions to organised local government consists of annual subscriptions paid to SALGA.

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Figures in Rand	2015	2014
<b>66. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Opening balance	1,002,948	744,426
Current year regularity audit fees	22,254,989	22,605,301
Amount paid - previous years	(1,002,948)	(744,426)
Amount paid - current year	(22,254,989)	(21,602,353)
	<b>-</b>	<b>1,002,948</b>

During the current year an error was discovered in the disclosure of the prior year audit fees.

The following corrections were made:

Opening balance has increased by R 4,584

Amount paid - previous year increased by R 4,584

Amount paid - current year decreased by R195,225

### PAYE and UIF

Opening balance	65	11,274,173
Current year subscription / fee	192,383,800	170,352,838
Interest and penalties - current year	70,748	216,202
Interest and penalties - reversed by SARS	-	(213,273)
Amount paid - current year	(192,557,975)	(181,640,675)
Amount paid / refunded - previous years	(65)	10,800
	<b>(103,427)</b>	<b>65</b>

During the current year an error was discovered in the disclosure of the prior year PAYE and UIF.

The following corrections were made:

Amount paid - current year increased by R12,887,824.

### Pension and Medical Aid Deductions

Opening balance	(3,335)	16,017
Payable for the current year	270,623,335	245,769,959
Amount paid - current year	(270,596,525)	(245,773,584)
Amount paid - previous years	-	(15,727)
	<b>23,475</b>	<b>(3,335)</b>

During the year an error was discovered in the disclosure of the prior year PAYE and UIF.

The following corrections were made:

Amount paid - current year increased by R12,887,824

### Councillors' arrear consumer accounts

Refer to Appendix H for details regarding the councillors' arrear consumer accounts owed to the entity.

### Bulk water losses

Material bulk water losses during the year under review were as follows and are not recoverable.

The main reason for incurring water losses related to burst water pipes, leaks and unmetered sites.

	Kilo litre	Cost per kilo litre	Total loss in Rands
2015	33281104	R 5.04	167,576,335
2014	24,735,277	R 4.75	117,245,213

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### 66. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Electricity distribution losses:

In the current year the energy losses were 14.73 % (2014: 13.80%). These losses are the result off theft, vandalism, faulty meters and variances in monthly consumption estimates. Management has determined that these losses are not recoverable.

Electricity losses - 2015	219,417,828 kWh	R 154,232,114	12.89%
Electricity losses - 2014	207,981,120 kWh	R 132,167,135	12.07%

The electricity distribution loss comprises of technical and non-technical losses. For the 2014/15 financial year the distribution losses amount to 12.89% (2014:12.07%). The annual electricity distribution loss are made up of technical and non-technical losses which are the difference between electricity purchased and electricity sold.

#### Non-technical losses:

Non-technical losses are amongst others the result of administrative and technical errors, negligence, theft of electricity, tampering with meters and connections which form part of illegal consumption, faulty meters, etc. Non-technical losses amounted to 83,205,603 kWh - units (2014: 70,131,165 kWh - units) with a Rand value of R 58,486,478 (2014: R 44,566,714).

#### Technical losses:

Technical losses are the result of electricity losses while being distributed from the source of generation through the transmission and distribution network to the final consumer. The wires (copper or aluminium) being used to distribute electricity has certain resistance which resist the throughput of current, as a result there is a certain portion of electricity that is lost due to distribution. Technical losses amounted to 136 212 225 kWh - units (2014: 137 849 955 kWh - units) with a Rand value of R 95,745,636 (2014: R 87,600,421).

#### Comparative adjustment:

During the current financial year it was noted that the effect of the streetlight consumption was never brought into consideration when calculating the distribution losses. A correction was made and the comparative statements for 2013/14 financial year have been restated.

### 67. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

### 68. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

# Mangaung Metropolitan Municipality

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### 69. Deviation from supply chain management regulations

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

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

For the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

The reasons for these deviations were documented and reported to the Accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations.

#### Deviations 2015

	Rands	Number of deviations
Emergency	6,403,085	40
Sole supplier	6,291,152	35
Impractical	9,833,291	38
Urgent	226,444	10
Other	5,224,144	77
	<b>27,978,116</b>	<b>200</b>

#### Deviations 2014

	Rands	Number of deviations
Emergency	668,227	10
Sole supplier	13,509,292	47
Impractical	31,215,579	91
Urgent	28,470,381	117
Other	23,572,962	680
	<b>97,436,441</b>	<b>945</b>

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

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### 70. Budget differences

#### Changes from the approved budget to the final budget

##### Statement of financial performance:

A1 - Property rates were adjusted downwards mainly as a result of the downward adjustment of major market values of commercial properties in the City

A2 - Service charges were adjusted downwards mainly as a result of lower market valuation of major commercial properties within the city and based on the current levels of performance.

A3 - Revenue from grants were increased due to the allocation of unspent conditional grants as the end of 2013/14 and newly received grants.

A4 & A6 - These expenditure were adjusted downwards due to lower projected property rates and municipal services charges revenues.

A5 & A7 - These expenditure were adjusted to provide for the allocation of unspent conditional grants at the end of the 2013/14 budget year, and newly allocated grants received.

##### Statement of financial position:

A8 - Changes to the statement of financial position budget were made due to the audited financial statements as at 30 June 2014 becoming available after the finalisation of the audit. The changes therefore were done in order to align the budget statement of financial position taking into account the closing balances as per the financial statements as well as the changes made on the statement of financial performance and budgeted capital expenditure.

##### Cash flow statement:

A9 - Changes to the cash flow statement were made due to the anticipated cash position of the entity due to the adjustments made in the statement of financial performance and position.

#### Material differences between the budget and actual amounts

##### Statement of financial performance

B1 - Unfavourable variance due the finalisation of the appeals process regarding the valuation roll. The credits for the appeals were passed during the current financial year.

B2 - Favourable variance due to increased billing for services supplied.

B3 - Unfavourable variance due to the slow implementation of projects funded by conditional government grants

B4 - Favourable variance due to the increase in traffic fines and interest levied on arrear consumer accounts.

B5 - Unfavourable variance due to the additional debt written off.

B6 - Unfavourable variance due to the increased asset base.

B7 - Unfavourable variance due to the allocation of grant expenditure for subsidised municipal services as a result of additional indigents included in the register receiving these benefits..

B8 - Favourable variance due to less expenditure on projects.

##### Statement of financial position

B9 - Variance due to the activities reported on the statement of financial performance and the resultant financial position of the entity.

##### Cash flow statement

B10 - Variance due to the activities reported on the statement of financial performance and the resultant financial position of the entity.

#### Reconciliation between Total Revenue and Total Expenditure

R1 - Fair value adjustments and gains on the disposal of non-current assets are classified under total revenue for budget purposes, while the financial statements classify them as an adjustment to expenditure.

# Mangaung Metropolitan Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2015

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### 71. Events after the reporting date

On 20 August 2015 the Council resolved that 17 984 indigents be included in the indigent register. These indigents had outstanding balances amounting to R103 586 201 at the date of inclusion. Council approved the write off of these balances in the same meeting.

### 72. Non-compliance with the MFMA

During the current financial year the following non-compliance matters were identified:

*Supply chain management regulations 12(1)(c), 17(1)(a) - (c)*

Goods and services of a transaction value between R 10,000 and R 200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his delegate.

*Supply chain management regulations 36(1)*

Goods and services with a transaction value above R 200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or her delegate in accordance with the supply chain management policy.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.



## Appendix A - Unaudited

June 2015

### Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	
		Rand	Rand	Rand	Rand	
Development Bank of South Africa @ 12.62%	103433/01	31 March 2026	44,903,752	-	2,347,841	42,555,911
Development Bank of South Africa @ 6.75%	103433/02	31 March 2026	142,975,728	-	4,974,982	138,000,746
Development Bank of South Africa @ 10.00%	8001/104	31 December 2015	3,983,987	-	2,590,879	1,393,108
Development Bank of South Africa @ 10.642%	12007885	30 June 2025	-	127,000,000	-	127,000,000
Standard Bank of South Africa Limited	33714314	30 June 2025	-	300,000,000	16,764,190	283,235,810
			<b>191,863,467</b>	<b>427,000,000</b>	<b>26,677,892</b>	<b>592,185,575</b>

# Appendix B - Audited

June 2015

## Analysis of property, plant and equipment as at 30 June 2015

**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers to Additions	Transfers to/from Other Classes	Revaluation s / Fair value adjustments	Closing Balance	Opening Balance	Disposals	Depreciation	Impairment loss	Revaluation s / Fair value adjustments	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land and buildings</b>															
Land	1,409,974,067	1,577,534	-	-	-	(9,240,000)	2,299,500	1,404,611,101	-	-	-	-	-	-	1,404,611,101
Buildings	1,105,385,262	99,474,582	-	-	-	-	-	1,204,859,844	(38,945,373)	-	(32,766,239)	-	-	(71,711,612)	1,133,148,232
Work in progress	92,817,448	-	-	19,438,627	(99,474,582)	-	-	12,781,493	-	-	-	-	-	-	12,781,493
Buildings - Centec	65,183,372	253,219	-	-	-	-	14,203,166	79,639,757	(10,565,513)	-	(3,324,795)	-	12,325,623	(1,564,685)	78,075,072
	<b>2,673,360,149</b>	<b>101,305,335</b>	<b>-</b>	<b>19,438,627</b>	<b>(99,474,582)</b>	<b>(9,240,000)</b>	<b>16,502,666</b>	<b>2,701,892,195</b>	<b>(49,510,886)</b>	<b>-</b>	<b>(36,091,034)</b>	<b>-</b>	<b>12,325,623</b>	<b>(73,276,297)</b>	<b>2,628,615,898</b>
<b>Infrastructure</b>															
Roads	2,645,605,144	20,282,034	-	-	-	-	-	2,665,887,178	(755,653,533)	-	(186,583,318)	(53,595)	-	(942,290,446)	1,723,596,732
Street lighting	10,474,432	-	-	-	-	-	-	10,474,432	(3,187,559)	-	(3,643,427)	-	-	(6,830,986)	3,643,446
Bridges	110,317,619	-	-	-	-	-	-	110,317,619	(12,008,136)	-	(1,992,583)	-	-	(14,000,719)	96,316,900
Intersections	6,154,449	-	-	-	-	-	-	6,154,449	(4,387,867)	-	(1,093,096)	-	-	(5,480,963)	673,486
Road Furniture	8,414,581	-	-	-	-	-	-	8,414,581	(5,629,428)	-	(902,970)	-	-	(6,532,398)	1,882,183
Side walks	173,172,011	-	-	-	-	-	-	173,172,011	(71,299,784)	-	(16,085,089)	-	-	(87,384,873)	85,787,138
Rail road sidings	23,337,859	-	-	-	-	-	-	23,337,859	(6,574,430)	-	(5,418,059)	-	-	(11,992,489)	11,345,370
Sanitation	1,404,486,364	94,035,798	-	-	-	-	-	1,498,522,162	(285,578,874)	-	(67,043,793)	(1,928,576)	-	(354,551,243)	1,143,970,919
Water	1,711,683,342	283,490,075	-	-	-	-	-	1,995,173,417	(359,887,241)	-	(104,536,457)	(84,301)	-	(464,507,999)	1,530,665,418
Stormwater	75,981,174	39,337,262	-	-	-	-	-	115,318,436	(9,688,518)	-	(4,172,533)	-	-	(13,861,051)	101,457,385
Water meters	95,090,218	10,910,720	-	-	-	-	-	106,000,938	(28,192,345)	-	(10,637,564)	-	-	(38,829,909)	67,171,029
Work in Progress	635,984,724	-	-	792,655,678	(441,916,846)	-	-	986,723,556	-	-	-	-	-	-	986,723,556
Electrical infrastructure	2,477,431,639	166,787,217	(10,728,770)	85,601,175	-	-	1,034,424,243	3,753,515,504	(629,925,326)	-	(51,949,514)	-	388,779,901	(293,094,939)	3,460,420,565
	<b>9,378,133,556</b>	<b>614,843,106</b>	<b>(10,728,770)</b>	<b>878,256,853</b>	<b>(441,916,846)</b>	<b>-</b>	<b>1,034,424,243</b>	<b>11,453,012,142</b>	<b>(2,172,013,041)</b>	<b>-</b>	<b>(454,058,403)</b>	<b>(2,066,472)</b>	<b>388,779,901</b>	<b>(2,239,358,015)</b>	<b>9,213,654,127</b>
<b>Community Assets</b>															
Parks	128,679,166	-	-	-	-	-	-	128,679,166	(37,300,262)	-	(12,895,983)	-	-	(50,196,245)	78,482,921
Fresh Produce Market	54,402,649	1,368,364	-	-	-	-	-	55,771,013	(27,931,146)	-	(4,626,873)	-	-	(32,558,019)	23,212,994
Swimming pools	49,332,792	2,625,292	-	-	-	-	-	51,958,084	(12,148,232)	-	(2,980,346)	(383,575)	-	(15,512,153)	36,445,931
Cemeteries	51,710,643	-	-	-	-	-	-	51,710,643	(17,364,193)	-	(2,900,615)	-	-	(20,264,808)	31,445,835
Landfill sites	119,033,324	-	-	-	-	-	10,003,360	129,036,684	(87,369,992)	-	(5,863,354)	-	-	(93,233,346)	35,803,338
Quarry sites	345,699,006	-	-	-	-	-	(26,657,191)	319,041,815	(228,774,602)	-	(10,582,431)	-	-	(239,357,033)	79,684,782
Sports Grounds	355,163,379	400,025	-	-	-	-	-	355,563,404	(88,825,132)	-	(14,618,447)	(50,900)	-	(103,494,479)	252,068,925
Sport Stadiums	126,328,376	12,400,094	-	-	-	-	-	138,728,470	(44,836,828)	-	(11,174,607)	-	-	(56,011,435)	82,717,035
Law enforcement cameras - CCTV	52,566,237	4,049,638	-	-	-	-	-	56,615,875	(23,209,162)	-	(9,833,954)	-	-	(33,043,116)	23,572,759
Zoo	47,240,586	-	-	-	-	-	-	47,240,586	(13,225,758)	-	(3,517,490)	-	-	(16,743,248)	30,497,338
Zoo Animals	5,637,629	1,224,880	(860,499)	-	-	-	453,908	6,455,918	(726)	20,305	(252,008)	-	231,636	(793)	6,455,125
Hawker stalls	8,577,889	-	-	-	-	-	-	8,577,889	(4,960,032)	-	(725,380)	(83,589)	-	(5,769,001)	2,808,888
Environmental facilities	1,926,911	-	-	-	-	-	-	1,926,911	(722,517)	-	(160,586)	-	-	(883,103)	1,043,808
Law enforcement dogs	61,500	-	(5,500)	-	-	-	-	56,000	(34,096)	4,116	(8,400)	-	-	(38,380)	17,620
Work In Progress	77,071,874	-	-	102,137,740	(20,843,413)	-	-	158,366,201	-	-	-	-	-	-	158,366,201
	<b>1,423,431,961</b>	<b>22,068,293</b>	<b>(865,999)</b>	<b>102,137,740</b>	<b>(20,843,413)</b>	<b>-</b>	<b>(16,199,923)</b>	<b>1,509,728,659</b>	<b>(586,702,678)</b>	<b>24,421</b>	<b>(80,140,474)</b>	<b>(518,064)</b>	<b>231,636</b>	<b>(667,105,159)</b>	<b>842,623,500</b>

## Appendix B - Audited

June 2015

### Analysis of property, plant and equipment as at 30 June 2015

**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers to Additions	Transfers to/from Other Classes	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals	Depreciation	Impairment loss	Revaluations / Fair value adjustments	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Assets held for sale															
Land	7,560,000	-	(2,150,000)	9,240,000	-	-	-	14,650,000	-	-	-	-	-	-	14,650,000
	<b>7,560,000</b>	<b>-</b>	<b>(2,150,000)</b>	<b>9,240,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,650,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,650,000</b>
Other assets															
Fire arms	790,258	136,887	-	-	-	-	-	927,145	(215,706)	-	(55,822)	-	-	(271,528)	655,617
Motor vehicles	166,082,866	1,114,474	-	-	-	-	-	167,197,340	(47,717,927)	-	(5,168,824)	(4,158,081)	-	(57,044,832)	110,152,508
Tools, plant and equipment	12,682,995	1,572,187	(14,694)	-	-	-	-	14,240,488	(3,388,672)	4,981	(1,782,005)	-	-	(5,165,696)	9,074,792
Furniture & Office Equipment	31,581,688	9,807,344	(102,111)	-	-	-	-	41,286,921	(5,483,271)	52,076	(5,269,992)	-	-	(10,701,187)	30,585,734
Capitalised leased assets	157,071,297	18,700,710	-	-	-	-	-	175,772,007	(20,220,786)	-	(9,300,279)	(1,074,562)	-	(30,595,627)	145,176,380
Motor vehicles - Centlec	88,952,682	23,057,437	(9,821,502)	-	-	-	-	102,188,617	(45,787,085)	9,131,706	(10,999,089)	(359,909)	-	(48,014,377)	54,174,240
Office equipment - Centlec	32,346,164	11,455,971	(1,299,091)	-	-	-	-	42,503,044	(11,412,768)	870,273	(5,816,231)	-	-	(16,358,726)	26,144,318
Leased assets - Centlec	845,713	1,623,993	(404,870)	-	-	-	-	2,064,836	(560,711)	404,871	(204,266)	-	-	(360,106)	1,704,730
	<b>490,353,663</b>	<b>67,469,003</b>	<b>(11,642,268)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>546,180,398</b>	<b>(134,786,926)</b>	<b>10,463,907</b>	<b>(38,596,508)</b>	<b>(5,592,552)</b>	<b>-</b>	<b>(168,512,079)</b>	<b>377,668,319</b>

## Appendix B - Audited

June 2015

### Analysis of property, plant and equipment as at 30 June 2015

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers to Additions	Transfers to/from Other Classes	Revaluation s / Fair value adjustments	Closing Balance	Opening Balance	Disposals	Depreciation	Impairment loss	Revaluations / Fair value adjustments	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment															
Land and buildings	2,673,360,149	101,305,335	-	19,438,627	(99,474,582)	(9,240,000)	16,502,666	2,701,892,195	(49,510,886)	-	(36,091,034)	-	12,325,623	(73,276,297)	2,628,615,898
Infrastructure	9,378,133,556	614,843,106	(10,728,770)	878,256,853	(441,916,846)	-	1,034,424,243	11,453,012,142	(2,172,013,041)	-	(454,058,403)	(2,066,472)	388,779,901	(2,239,358,015)	9,213,654,127
Community Assets	1,423,431,961	22,068,293	(865,999)	102,137,740	(20,843,413)	-	(16,199,923)	1,509,728,659	(586,702,678)	24,421	(80,140,474)	(518,064)	231,636	(667,105,159)	842,623,500
Assets held for sale	7,560,000	-	(2,150,000)	9,240,000	-	-	14,650,000	14,650,000	-	-	-	-	-	-	14,650,000
Other assets	490,353,663	67,469,003	(11,642,268)	-	-	-	-	546,180,398	(134,786,926)	10,463,907	(38,596,508)	(5,592,552)	-	(168,512,079)	377,668,319
	<b>13,972,839,329</b>	<b>805,685,737</b>	<b>(25,387,037)</b>	<b>1,009,073,220</b>	<b>(562,234,841)</b>	<b>(9,240,000)</b>	<b>1,034,726,986</b>	<b>16,225,463,394</b>	<b>(2,943,013,531)</b>	<b>10,488,328</b>	<b>(608,886,419)</b>	<b>(8,177,088)</b>	<b>401,337,160</b>	<b>(3,148,251,550)</b>	<b>13,077,211,844</b>
Intangible assets															
Computers - software & programming	38,540,293	20,118,702	-	-	-	-	-	58,658,995	(15,574,362)	-	(10,687,902)	-	-	(26,262,264)	32,396,731
Servitudes	84,745,932	19,695	-	-	-	-	-	84,765,627	-	-	-	-	-	-	84,765,627
WIP	562,999	-	-	(562,999)	-	-	-	-	-	-	-	-	-	-	-
	<b>123,849,224</b>	<b>20,138,397</b>	<b>-</b>	<b>(562,999)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>143,424,622</b>	<b>(15,574,362)</b>	<b>-</b>	<b>(10,687,902)</b>	<b>-</b>	<b>-</b>	<b>(26,262,264)</b>	<b>117,162,358</b>
Investment properties															
Investment property	1,674,244,500	-	-	-	-	(6,537,000)	-	1,667,707,500	-	-	-	-	-	-	1,667,707,500
Work in Progress	2,613,363	-	-	-	-	-	-	2,613,363	-	-	-	-	-	-	2,613,363
	<b>1,676,857,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,537,000)</b>	<b>-</b>	<b>1,670,320,863</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,670,320,863</b>
Heritage assets															
Buildings	317,080,000	-	-	-	-	-	-	317,080,000	-	-	-	-	-	-	317,080,000
Nature reserve	3,892,105	-	-	-	-	-	-	3,892,105	-	-	-	-	-	-	3,892,105
Work in Progress	684,236	-	-	-	-	-	-	684,236	-	-	-	-	-	-	684,236
	<b>321,656,341</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>321,656,341</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>321,656,341</b>
Total															
Land and buildings	2,673,360,149	101,305,335	-	19,438,627	(99,474,582)	(9,240,000)	16,502,666	2,701,892,195	(49,510,886)	-	(36,091,034)	-	12,325,623	(73,276,297)	2,628,615,898
Infrastructure	9,378,133,556	614,843,106	(10,728,770)	878,256,853	(441,916,846)	-	1,034,424,243	11,453,012,142	(2,172,013,041)	-	(454,058,403)	(2,066,472)	388,779,901	(2,239,358,015)	9,213,654,127
Community Assets	1,423,431,961	22,068,293	(865,999)	102,137,740	(20,843,413)	-	(16,199,923)	1,509,728,659	(586,702,678)	24,421	(80,140,474)	(518,064)	231,636	(667,105,159)	842,623,500
Assets held for sale	7,560,000	-	(2,150,000)	9,240,000	-	-	14,650,000	14,650,000	-	-	-	-	-	-	14,650,000
Other assets	490,353,663	67,469,003	(11,642,268)	-	-	-	-	546,180,398	(134,786,926)	10,463,907	(38,596,508)	(5,592,552)	-	(168,512,079)	377,668,319
Intangible assets	123,849,224	20,138,397	-	(562,999)	-	-	-	143,424,622	(15,574,362)	-	(10,687,902)	-	-	(26,262,264)	117,162,358
Investment properties	1,676,857,863	-	-	-	-	(6,537,000)	-	1,670,320,863	-	-	-	-	-	-	1,670,320,863
Heritage assets	321,656,341	-	-	-	-	-	-	321,656,341	-	-	-	-	-	-	321,656,341
	<b>16,095,202,757</b>	<b>825,824,134</b>	<b>(25,387,037)</b>	<b>1,009,073,220</b>	<b>(562,797,840)</b>	<b>(15,777,000)</b>	<b>1,034,726,986</b>	<b>18,360,865,220</b>	<b>(2,958,587,893)</b>	<b>10,488,328</b>	<b>(619,574,321)</b>	<b>(8,177,088)</b>	<b>401,337,160</b>	<b>(3,174,513,814)</b>	<b>15,186,351,406</b>



## Appendix B - Audited

June 2015

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

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers to Additions	Transfers to/from Other Classes	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals	Depreciation	Impairment loss	Revaluations / Fair value adjustments	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Assets held for sale															
Land	7,560,000	-	-	-	-	-	-	7,560,000	-	-	-	-	-	-	7,560,000
	<b>7,560,000</b>	-	-	-	-	-	-	<b>7,560,000</b>	-	-	-	-	-	-	<b>7,560,000</b>
Other assets															
Fire arms	790,258	-	-	-	-	-	-	790,258	(181,981)	-	(33,725)	-	-	(215,706)	574,552
Motor vehicles	177,554,709	-	(11,471,844)	-	-	-	-	166,082,865	(46,134,085)	3,604,328	(5,188,170)	-	-	(47,717,927)	118,364,938
Tools, plant and equipment	12,682,995	-	-	-	-	-	-	12,682,995	(1,675,409)	-	(1,713,263)	-	-	(3,388,672)	9,294,323
Furniture & Office Equipment	16,415,842	15,166,360	(514)	-	-	-	-	31,581,688	(3,659,000)	154	(1,824,425)	-	-	(5,483,271)	26,098,417
Capitalised leased assets	19,540,218	139,152,311	(1,621,232)	-	-	-	-	157,071,297	(12,409,257)	-	(7,811,529)	-	-	(20,220,786)	136,850,511
Motor vehicles - Centlec	51,408,448	37,786,178	(241,944)	-	-	-	-	88,952,682	(39,644,006)	223,731	(6,697,731)	330,921	-	(45,787,085)	43,165,597
Office equipment - Centlec	18,596,496	13,749,668	-	-	-	-	-	32,346,164	(7,739,955)	-	(3,672,813)	-	-	(11,412,768)	20,933,396
Leased assets - Centlec	905,010	237,934	(297,231)	-	-	-	-	845,713	(561,511)	297,231	(296,431)	-	-	(560,711)	285,002
	<b>297,893,976</b>	<b>206,092,451</b>	<b>(13,632,765)</b>	-	-	-	-	<b>490,353,662</b>	<b>(112,005,204)</b>	<b>4,125,444</b>	<b>(27,238,087)</b>	<b>330,921</b>	-	<b>(134,786,926)</b>	<b>355,566,736</b>

## Appendix B - Audited

June 2015

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

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance	Additions	Disposals	WIP Transfers In	WIP Transfers to Additions	Transfers to/from Other Classes	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals	Depreciation	Impairment loss	Revaluations / Fair value adjustments	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment															
Land and buildings	2,628,323,142	92,358,461	-	7,898,637	(55,220,091)	-	-	<b>2,673,360,149</b>	(15,086,915)	-	(34,423,969)	-	-	<b>(49,510,884)</b>	2,623,849,265
Infrastructure	8,545,786,348	619,636,546	(16,558,690)	543,685,690	(337,631,057)	23,214,740	-	<b>9,378,133,577</b>	1,827,033,084	4,507,827	(351,295,324)	-	-	<b>2,173,820,581</b>	7,204,312,996
Community Assets	1,305,162,213	65,273,687	(317,110)	98,065,531	(54,486,209)	-	<b>9,733,851</b>	<b>1,423,431,963</b>	(533,019,209)	20,651	(54,179,122)	-	475,002	<b>(586,702,678)</b>	836,729,285
Assets held for sale	7,560,000	-	-	-	-	-	-	<b>7,560,000</b>	-	-	-	-	-	-	7,560,000
Other assets	297,893,976	206,092,451	(13,632,765)	-	-	-	-	<b>490,353,662</b>	(112,005,204)	4,125,444	(27,238,087)	330,921	-	<b>(134,786,926)</b>	355,566,736
	<b>2,784,725,679</b>	<b>983,361,145</b>	<b>(30,508,565)</b>	<b>649,649,858</b>	<b>(447,337,357)</b>	<b>23,214,740</b>	<b>9,733,851</b>	<b>3,972,839,351</b>	<b>2,487,144,412</b>	<b>8,653,922</b>	<b>(467,136,502)</b>	<b>330,921</b>	<b>475,002</b>	<b>2,944,821,069</b>	<b>1,028,018,282</b>
Intangible assets															
Computers - software & programming	34,449,201	4,091,092	-	-	-	-	-	<b>38,540,293</b>	(7,641,425)	-	(7,932,937)	-	-	<b>(15,574,362)</b>	22,965,931
Servitudes	83,653,943	1,091,989	-	-	-	-	-	<b>84,745,932</b>	-	-	-	-	-	-	84,745,932
Work in Progress	-	-	-	562,999	-	-	-	<b>562,999</b>	-	-	-	-	-	-	562,999
	<b>118,103,144</b>	<b>5,183,081</b>	-	<b>562,999</b>	-	-	-	<b>123,849,224</b>	<b>(7,641,425)</b>	-	<b>(7,932,937)</b>	-	-	<b>(15,574,362)</b>	<b>108,274,862</b>
Investment properties															
Investment property	1,664,741,070	2,470,000	(1,414,000)	-	-	-	<b>8,447,430</b>	<b>1,674,244,500</b>	-	-	-	-	-	-	1,674,244,500
Work in Progress	-	-	-	2,613,363	-	-	-	<b>2,613,363</b>	-	-	-	-	-	-	2,613,363
	<b>1,664,741,070</b>	<b>2,470,000</b>	<b>(1,414,000)</b>	<b>2,613,363</b>	-	-	<b>8,447,430</b>	<b>1,676,857,863</b>	-	-	-	-	-	-	<b>1,676,857,863</b>
Heritage assets															
Buildings	314,777,190	-	-	-	-	-	<b>2,302,810</b>	<b>317,080,000</b>	-	-	-	-	-	-	317,080,000
Nature reserve	3,892,105	-	-	-	-	-	-	<b>3,892,105</b>	-	-	-	-	-	-	3,892,105
Work in Progress	10,601,508	-	-	-	-	(9,917,272)	-	<b>684,236</b>	-	-	-	-	-	-	684,236
	<b>329,270,803</b>	-	-	-	-	<b>(9,917,272)</b>	<b>2,302,810</b>	<b>321,656,341</b>	-	-	-	-	-	-	<b>321,656,341</b>
Total															
Land and buildings	2,628,323,142	92,358,461	-	7,898,637	(55,220,091)	-	-	<b>2,673,360,149</b>	(15,086,915)	-	(34,423,969)	-	-	<b>(49,510,884)</b>	2,623,849,265
Infrastructure	8,545,786,348	619,636,546	(16,558,690)	543,685,690	(337,631,057)	23,214,740	-	<b>9,378,133,577</b>	1,827,033,084	4,507,827	(351,295,324)	-	-	<b>2,173,820,581</b>	7,204,312,996
Community Assets	1,305,162,213	65,273,687	(317,110)	98,065,531	(54,486,209)	-	<b>9,733,851</b>	<b>1,423,431,963</b>	(533,019,209)	20,651	(54,179,122)	-	475,002	<b>(586,702,678)</b>	836,729,285
Assets held for sale	7,560,000	-	-	-	-	-	-	<b>7,560,000</b>	-	-	-	-	-	-	7,560,000
Other assets	297,893,976	206,092,451	(13,632,765)	-	-	-	-	<b>490,353,662</b>	(112,005,204)	4,125,444	(27,238,087)	330,921	-	<b>(134,786,926)</b>	355,566,736
Intangible assets	118,103,144	5,183,081	-	562,999	-	-	-	<b>123,849,224</b>	(7,641,425)	-	(7,932,937)	-	-	<b>(15,574,362)</b>	108,274,862
Investment properties	1,664,741,070	2,470,000	(1,414,000)	2,613,363	-	-	<b>8,447,430</b>	<b>1,676,857,863</b>	-	-	-	-	-	-	1,676,857,863
Heritage assets	329,270,803	-	-	-	-	(9,917,272)	<b>2,302,810</b>	<b>321,656,341</b>	-	-	-	-	-	-	321,656,341
	<b>4,896,840,696</b>	<b>991,014,226</b>	<b>(31,922,565)</b>	<b>652,826,220</b>	<b>(447,337,357)</b>	<b>13,297,468</b>	<b>20,484,091</b>	<b>6,095,202,779</b>	<b>2,494,785,837</b>	<b>8,653,922</b>	<b>(475,069,439)</b>	<b>330,921</b>	<b>475,002</b>	<b>2,960,395,431</b>	<b>3,134,807,348</b>





## Appendix D - Unaudited

June 2015

### Segmental Statement of Financial Performance for the year ended

<b>Prior Year ended</b>	<b>Current Year ended</b>
<b>30 June 2014</b>	<b>30 June 2015</b>

Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
Rand	Rand	Rand		Rand	Rand	Rand
<b>Municipality</b>						
-	-	-	Office of the Executive Mayor	-	162,064,253	(162,064,253)
-	180,657,596	(180,657,596)	Office of the City Manager	-	36,368,875	(36,368,875)
6,612,285	192,291,085	(185,678,800)	Corporate Services	6,219,113	208,943,010	(202,723,897)
1,452,239,073	153,798,399	1,298,440,674	Finance	1,395,529,936	229,490,881	1,166,039,055
94,379,105	287,522,186	(193,143,081)	Community and Social Development	89,177,044	341,372,002	(252,194,958)
6,719,791	100,311,061	(93,591,270)	Economic Development and Planning	6,616,747	98,018,335	(91,401,588)
20,935,957	13,423,072	7,512,885	Fresh Produce Market	20,654,288	13,040,917	7,613,371
639,787,456	816,552,264	(176,764,808)	Infrastructural Services	593,995,420	1,255,070,557	(661,075,137)
698,977,911	616,190,152	82,787,759	Water	740,333,009	746,631,618	(6,298,609)
1,498,507,122	929,772,687	568,734,435	Miscellaneous Services	1,441,227,182	913,707,071	527,520,111
6,661,766	83,708,682	(77,046,916)	Housing	26,290,876	109,288,854	(82,997,978)
-	52,672,239	(52,672,239)	Regional Operations	-	42,005,099	(42,005,099)
1,450,849,328	1,590,452,692	(139,603,364)	Centlec (SOC) Ltd	1,456,499,073	1,502,276,925	(45,777,852)
<b>5,875,669,794</b>	<b>5,017,352,115</b>	<b>858,317,679</b>		<b>5,776,542,688</b>	<b>5,658,278,397</b>	<b>118,264,291</b>
-	-	-		-	-	-
-	-	-		-	-	-

## Appendix E(1) - Audited

June 2015

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

	Current year 2012 Act. Bal. Rand	Current year 2012 Adjusted budget Rand	Variance Rand	Var
<b>Revenue</b>				
Property rates	871,212,408	903,089,386	(31,876,978)	(3.5)
Service charges	2,887,093,070	3,101,631,721	(214,538,651)	(6.9)
Rental of facilities and equipment	28,370,602	27,674,760	695,842	2.5
Agency services	4,750,908	7,741,299	(2,990,391)	(38.6)
Licences and permits	170,678	927,623	(756,945)	(81.6)
Transfer revenue	1,704,161,571	1,725,027,533	(20,865,962)	(1.2)
Other income	58,413,923	441,254,674	(382,840,751)	(86.8)
Interest received	237,073,638	349,898,293	(112,824,655)	(32.2)
	<u>5,791,246,798</u>	<u>6,557,245,289</u>	<u>(765,998,491)</u>	<u>(11.7)</u>
<b>Expenses</b>				
Employee related costs	(1,261,006,368)	(1,371,819,295)	110,812,927	(8.1)
Remuneration of councillors	(49,594,283)	(51,641,158)	2,046,875	(4.0)
Depreciation	(609,678,202)	(434,844,470)	(174,833,732)	40.2
Amortisation	(9,300,147)	-	(9,300,147)	-
Impairments	(8,316,901)	-	(8,316,901)	-
Finance costs	(97,063,969)	(226,900,314)	129,836,345	(57.2)
Debt impairment	(636,516,081)	(214,628,485)	(421,887,596)	196.6
Repairs and maintenance - General	(370,271,376)	(396,885,935)	26,614,559	(6.7)
Bulk purchases	(1,614,567,988)	(1,501,580,051)	(112,987,937)	7.5
Contracted Services	(281,758,724)	(377,480,293)	95,721,569	(25.4)
Transfers and Subsidies	(183,088,778)	(128,165,657)	(54,923,121)	42.9
General Expenses	(537,115,580)	(947,155,529)	410,039,949	(43.3)
	<u>(5,658,278,397)</u>	<u>(5,651,101,187)</u>	<u>(7,177,210)</u>	<u>0.1</u>
<b>Other revenue and costs</b>				
Gain or loss on disposal of assets and liabilities	(17,829,844)	-	(17,829,844)	-
Gain or loss on exchange differences	-	-	-	-
Actuarial gains/(losses)	3,116,051	-	3,116,051	-
Gains or losses on biological assets and agricultural produce	9,683	-	9,683	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-
	<u>(14,704,110)</u>	<u>-</u>	<u>(14,704,110)</u>	<u>-</u>
Net surplus/ (deficit) for the year	<u>118,264,291</u>	<u>906,144,102</u>	<u>(787,879,811)</u>	<u>(86.9)</u>

## Appendix E(2) - Audited

June 2015

### Budget Analysis of Capital Expenditure as at 30 June 2015

	<b>Additions Rand</b>	<b>Final Budget Rand</b>	<b>Variance Rand</b>	<b>Variance %</b>
Corporate Services	35,370,978	55,863,546	20,492,568	<b>37</b>
Finance	5,957,125	6,275,000	317,875	<b>5</b>
Community and Social Development	57,858,921	85,796,884	27,937,963	<b>33</b>
Economic Development and Planning	64,202,385	128,900,210	64,697,825	<b>50</b>
Fresh Produce Market	2,357,458	2,400,000	42,542	<b>2</b>
Infrastructural Services	555,777,336	593,303,471	37,526,135	<b>6</b>
Water	310,166,639	370,309,406	60,142,767	<b>16</b>
Housing	9,945,645	10,629,124	683,479	<b>6</b>
Strategic Projects and Service Delivery	5,000,000	5,400,000	400,000	<b>7</b>
Centlec	282,576,832	299,093,299	16,516,467	<b>6</b>
	<b>1,329,213,319</b>	<b>1,557,970,940</b>	<b>228,757,621</b>	<b>15</b>



**Appendix G1 - Unaudited  
Budgeted Financial Performance (revenue and expenditure by standard classification)  
for the year ended 30 June 2015**

**2014/2015**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Standard</b>								
<b>Governance and administration</b>	<b>2,974,879,450</b>	<b>(95,256,559)</b>	-	<b>2,879,622,891</b>	<b>2,854,078,356</b>	<b>(25,544,535)</b>	<b>99 %</b>	<b>96 %</b>
Executive and council	1,630,411	-	-	1,630,411	-	(1,630,411)	- %	- %
Budget and treasury office	2,924,760,151	(95,108,462)	-	2,829,651,689	2,836,757,118	7,105,429	100 %	97 %
Corporate services	48,488,888	(148,097)	-	48,340,791	17,321,238	(31,019,553)	36 %	36 %
<b>Community and public safety</b>	<b>32,378,339</b>	<b>(321,323)</b>	-	<b>32,057,016</b>	<b>102,509,186</b>	<b>70,452,170</b>	<b>320 %</b>	<b>317 %</b>
Community and social services	5,431,157	-	-	5,431,157	5,913,408	482,251	109 %	109 %
Sport and recreation	1,907,948	-	-	1,907,948	1,884,423	(23,525)	99 %	99 %
Public safety	9,158,587	-	-	9,158,587	80,744,495	71,585,908	882 %	882 %
Housing	15,538,476	-	-	15,538,476	13,962,946	(1,575,530)	90 %	90 %
Health	342,171	(321,323)	-	20,848	3,914	(16,934)	19 %	1 %
<b>Economic and environmental services</b>	<b>9,043,498</b>	<b>(31,522)</b>	-	<b>9,011,976</b>	<b>7,854,470</b>	<b>(1,157,506)</b>	<b>87 %</b>	<b>87 %</b>
Planning and development	6,523,452	-	-	6,523,452	6,616,747	93,295	101 %	101 %
Road transport	2,300,516	(31,522)	-	2,268,994	1,102,107	(1,166,887)	49 %	48 %
Environmental protection	219,530	-	-	219,530	135,616	(83,914)	62 %	62 %
<b>Trading services</b>	<b>4,032,081,560</b>	<b>216,400,647</b>	-	<b>4,248,482,207</b>	<b>2,790,827,501</b>	<b>(1,457,654,706)</b>	<b>66 %</b>	<b>69 %</b>
Electricity	2,716,704,664	316,660,055	-	3,033,364,719	1,456,499,072	(1,576,865,647)	48 %	54 %
Water	756,655,972	-	-	756,655,972	740,333,009	(16,322,963)	98 %	98 %
Waste water management	310,788,521	(25,767,107)	-	285,021,414	363,835,777	78,814,363	128 %	117 %
Waste management	247,932,403	(74,492,301)	-	173,440,102	230,159,643	56,719,541	133 %	93 %
<b>Other</b>	<b>20,844,241</b>	<b>547,050</b>	-	<b>21,391,291</b>	<b>21,273,175</b>	<b>(118,116)</b>	<b>99 %</b>	<b>102 %</b>
Other	20,844,241	547,050	-	21,391,291	21,273,175	(118,116)	99 %	102 %
<b>Total Revenue - Standard</b>	<b>7,069,227,088</b>	<b>121,338,293</b>	-	<b>7,190,565,381</b>	<b>5,776,542,688</b>	<b>(1,414,022,693)</b>	<b>80 %</b>	<b>82 %</b>

**Appendix G1 - Unaudited  
Budgeted Financial Performance (revenue and expenditure by standard classification)  
for the year ended 30 June 2015**

**2014/2015**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure - Standard</b>								
<b>Governance and administration</b>	<b>1,312,718,103</b>	<b>44,034,799</b>	<b>4,516,200</b>	<b>1,361,269,102</b>	<b>1,722,875,250</b>	<b>361,606,148</b>	<b>127 %</b>	<b>131 %</b>
Executive and council	347,601,554	2,367,586	6,387,000	356,356,140	262,826,383	(93,529,757)	74 %	76 %
Budget and treasury office	611,439,256	23,983,540	-	635,422,796	1,127,090,241	491,667,445	177 %	184 %
Corporate services	353,677,293	17,683,673	(1,870,800)	369,490,166	332,958,626	(36,531,540)	90 %	94 %
<b>Community and public safety</b>	<b>509,022,487</b>	<b>44,388,838</b>	<b>3,883,800</b>	<b>557,295,125</b>	<b>426,807,826</b>	<b>(130,487,299)</b>	<b>77 %</b>	<b>84 %</b>
Community and social services	165,776,827	6,800,000	150,000	172,726,827	122,253,954	(50,472,873)	71 %	74 %
Sport and recreation	46,350,080	240,827	(1,038,000)	45,552,907	23,491,526	(22,061,381)	52 %	51 %
Public safety	209,909,410	33,459,751	200,000	243,569,161	187,911,846	(55,657,315)	77 %	90 %
Housing	73,869,781	3,568,260	4,271,800	81,709,841	81,539,022	(170,819)	100 %	110 %
Health	13,116,389	320,000	300,000	13,736,389	11,611,478	(2,124,911)	85 %	89 %
<b>Economic and environmental services</b>	<b>481,314,521</b>	<b>860,121</b>	<b>(50,000)</b>	<b>482,124,642</b>	<b>794,331,581</b>	<b>312,206,939</b>	<b>165 %</b>	<b>165 %</b>
Planning and development	112,521,601	880,741	(30,000)	113,372,342	79,212,883	(34,159,459)	70 %	70 %
Road transport	339,465,688	-	(20,000)	339,445,688	697,188,491	357,742,803	205 %	205 %
Environmental protection	29,327,232	(20,620)	-	29,306,612	17,930,207	(11,376,405)	61 %	61 %
<b>Trading services</b>	<b>3,600,510,331</b>	<b>(370,579,749)</b>	<b>-</b>	<b>3,229,930,582</b>	<b>2,700,918,587</b>	<b>(529,011,995)</b>	<b>84 %</b>	<b>75 %</b>
Electricity	2,416,469,540	(317,684,966)	-	2,098,784,574	1,502,276,925	(596,507,649)	72 %	62 %
Water	734,135,201	(15,186,859)	-	718,948,342	746,631,618	27,683,276	104 %	102 %
Waste water management	254,722,116	(27,136,076)	-	227,586,040	233,668,123	6,082,083	103 %	92 %
Waste management	195,183,474	(10,571,848)	-	184,611,626	218,341,921	33,730,295	118 %	112 %
<b>Other</b>	<b>20,481,736</b>	<b>-</b>	<b>-</b>	<b>20,481,736</b>	<b>13,345,153</b>	<b>(7,136,583)</b>	<b>65 %</b>	<b>65 %</b>
Other	20,481,736	-	-	20,481,736	13,345,153	(7,136,583)	65 %	65 %
<b>Total Expenditure - Standard</b>	<b>5,924,047,178</b>	<b>(281,295,991)</b>	<b>8,350,000</b>	<b>5,651,101,187</b>	<b>5,658,278,397</b>	<b>7,177,210</b>	<b>100 %</b>	<b>96 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>1,145,179,910</b>	<b>402,634,284</b>	<b>(8,350,000)</b>	<b>1,539,464,194</b>	<b>118,264,291</b>	<b>(1,421,199,903)</b>	<b>8 %</b>	<b>10 %</b>

**Appendix G2 - Unaudited  
Budgeted Financial Performance (revenue and expenditure by municipal vote)  
for the year ended 30 June 2015**

**2014/2015**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue by Vote</b>										
Property Rates	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %
Office of the City Manager	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %
Corporate Services	12,469,774	(321,323)	12,148,451	-	12,148,451	6,219,113		(5,929,338)	51 %	50 %
Finance	1,571,066,272	(181,144,417)	1,389,921,855	-	1,389,921,855	1,395,529,936		5,608,081	100 %	89 %
Community and Social Development	16,290,343	(31,522)	16,258,821	-	16,258,821	89,177,044		72,918,223	548 %	547 %
Economic Development and Planning	6,523,452	-	6,523,452	-	6,523,452	6,616,747		93,295	101 %	101 %
Fresh Produce Market	20,437,840	547,050	20,984,890	-	20,984,890	20,654,288		(330,602)	98 %	101 %
Infrastructural Services	560,104,869	(100,407,505)	459,697,364	-	459,697,364	593,995,420		134,298,056	129 %	106 %
Water	756,655,972	-	756,655,972	-	756,655,972	740,333,009		(16,322,963)	98 %	98 %
Miscellaneous Services	1,355,324,290	86,035,955	1,441,360,245	-	1,441,360,245	1,441,227,182		(133,063)	100 %	106 %
Housing	53,649,612	-	53,649,612	-	53,649,612	26,290,876		(27,358,736)	49 %	49 %
Centlec	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %
<b>Total Revenue by Vote</b>	<b>4,352,522,424</b>	<b>(195,321,762)</b>	<b>4,157,200,662</b>	<b>-</b>	<b>4,157,200,662</b>	<b>4,320,043,615</b>		<b>162,842,953</b>	<b>104 %</b>	<b>99 %</b>
<b>Expenditure by Vote to be appropriated</b>										
Property Rates	-	-	-	-	-	-		-	DIV/0 %	DIV/0 %
Office of the City Manager	258,336,739	1,136,085	259,472,824	-	259,472,824	198,433,128		(61,039,696)	76 %	77 %
Corporate Services	291,666,974	16,907,500	308,574,474	-	308,574,474	208,950,042		(99,624,432)	68 %	72 %
Finance	236,560,706	25,179,540	261,740,246	-	261,740,246	229,490,881		(32,249,365)	88 %	97 %
Community and Social Development	417,649,754	41,479,751	459,129,505	350,000	459,479,505	341,372,002		(118,107,503)	74 %	82 %
Economic Development and Planning	149,689,471	(5,978,378)	143,711,093	-	143,711,093	98,018,335		(45,692,758)	68 %	65 %
Fresh Produce Market	20,083,777	-	20,083,777	-	20,083,777	13,040,917		(7,042,860)	65 %	65 %
Infrastructural Services	847,679,814	(37,707,924)	809,971,890	-	809,971,890	1,255,070,557		445,098,667	155 %	148 %
Water	734,135,201	(15,186,859)	718,948,342	-	718,948,342	746,631,618		27,683,276	104 %	102 %
Miscellaneous Services	390,475,318	-	390,475,318	-	390,475,318	913,707,071		523,231,753	234 %	234 %
Housing	107,636,332	3,628,260	111,264,592	-	111,264,592	109,288,854		(1,975,738)	98 %	102 %
Regional Operations	53,663,552	6,931,000	60,594,552	8,000,000	68,594,552	42,005,099		(26,589,453)	61 %	78 %
<b>Total Expenditure by Vote</b>	<b>3,507,577,638</b>	<b>36,388,975</b>	<b>3,543,966,613</b>	<b>8,350,000</b>	<b>3,552,316,613</b>	<b>4,156,008,504</b>		<b>603,691,891</b>	<b>117 %</b>	<b>118 %</b>
<b>Surplus/(Deficit) for the year</b>	<b>844,944,786</b>	<b>(231,710,737)</b>	<b>613,234,049</b>	<b>(8,350,000)</b>	<b>604,884,049</b>	<b>164,035,111</b>		<b>(440,848,938)</b>	<b>27 %</b>	<b>19 %</b>

**Appendix G3 - Unaudited  
Budgeted Financial Performance (revenue and expenditure)  
for the year ended 30 June 2015**

**2014/2015**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue By Source</b>											
Property rates	1,084,200,413	(181,111,027)	903,089,386	-	-	903,089,386	871,212,408	-	(31,876,978)	96 %	80 %
Service charges - electricity revenue	-	-	-	-	-	-	1,797,950,178	-	1,797,950,178	DIV/0 %	DIV/0 %
Service charges - water revenue	677,957,521	-	677,957,521	-	-	677,957,521	659,267,292	-	(18,690,229)	97 %	97 %
Service charges - sanitation revenue	240,416,285	(79,675,300)	160,740,985	-	-	160,740,985	292,452,700	-	131,711,715	182 %	122 %
Service charges - refuse revenue	154,967,413	(20,584,108)	134,383,305	-	-	134,383,305	137,422,900	-	3,039,595	102 %	89 %
Service charges - other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Rental of facilities and equipment	-	-	-	-	-	-	28,370,602	-	28,370,602	DIV/0 %	DIV/0 %
Interest earned - external investments	34,140,321	-	34,140,321	-	-	34,140,321	57,860,001	-	23,719,680	169 %	169 %
Interest earned - outstanding debtors	132,916,780	-	132,916,780	-	-	132,916,780	179,213,637	-	46,296,857	135 %	135 %
Fines	6,124,578	-	6,124,578	-	-	6,124,578	79,198,221	-	73,073,643	1,293 %	1,293 %
Licences and permits	927,623	-	927,623	-	-	927,623	170,678	-	(756,945)	18 %	18 %
Agency services	-	-	-	-	-	-	4,750,908	-	4,750,908	DIV/0 %	DIV/0 %
Transfers recognised - operational	617,571,000	15,362,966	632,933,966	-	-	632,933,966	-	-	(632,933,966)	- %	- %
Other revenue	646,667,490	12,718	646,680,208	-	-	646,680,208	334,853,230	-	(311,826,978)	52 %	52 %
Gains on disposal of PPE	-	-	-	-	-	-	(17,829,844)	-	(17,829,844)	DIV/0 %	DIV/0 %
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>3,595,889,424</b>	<b>(265,994,751)</b>	<b>3,329,894,673</b>	<b>-</b>	<b>-</b>	<b>3,329,894,673</b>	<b>4,424,892,911</b>	<b>-</b>	<b>1,094,998,238</b>	<b>133 %</b>	<b>123 %</b>



**Appendix G3 - Unaudited  
Budgeted Financial Performance (revenue and expenditure)  
for the year ended 30 June 2015**

**2014/2015**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure By Type</b>											
Employee related costs	-	4,207,340	4,207,340	120,000	-	4,327,340	1,261,006,368	-	1,256,679,028	29,140 %	DIV/0 %
Remuneration of councillors	-	-	-	(120,000)	-	(120,000)	49,594,283	-	49,714,283	(41,329)%	DIV/0 %
Debt impairment	-	-	-	-	-	-	636,516,081	-	636,516,081	DIV/0 %	DIV/0 %
Depreciation & asset impairment	-	-	-	-	-	-	627,295,250	-	627,295,250	DIV/0 %	DIV/0 %
Finance charges	-	(17,020,235)	(17,020,235)	(700,000)	-	(17,720,235)	97,063,969	-	114,784,204	(548)%	DIV/0 %
Bulk purchases	-	-	-	-	-	-	1,614,567,988	-	1,614,567,988	DIV/0 %	DIV/0 %
Other materials	256,481,728	21,666,341	278,148,069	463,841	-	278,611,910	-	(278,611,910)	- %	- %	
Contracted services	-	-	-	-	-	-	281,758,724	-	281,758,724	DIV/0 %	DIV/0 %
Transfers and grants	-	(33,029,507)	(33,029,507)	(300,000)	-	(33,329,507)	183,088,778	-	216,418,285	(549)%	DIV/0 %
Other expenditure	737,334,627	60,565,036	797,899,663	8,886,159	-	806,785,822	907,386,956	-	100,601,134	112 %	123 %
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Total Expenditure</b>	<b>993,816,355</b>	<b>36,388,975</b>	<b>1,030,205,330</b>	<b>8,350,000</b>	<b>-</b>	<b>1,038,555,330</b>	<b>5,658,278,397</b>	<b>-</b>	<b>4,619,723,067</b>	<b>545 %</b>	<b>569 %</b>
<b>Surplus/(Deficit)</b>	<b>2,602,073,069</b>	<b>(302,383,726)</b>	<b>2,299,689,343</b>	<b>(8,350,000)</b>	<b>-</b>	<b>2,291,339,343</b>	<b>(1,233,385,486)</b>	<b>-</b>	<b>(3,524,724,829)</b>	<b>(54)%</b>	<b>(47)%</b>
Transfers recognised - capital	-	70,672,989	70,672,989	-	-	70,672,989	-	-	(70,672,989)	- %	DIV/0 %
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Contributed assets	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>2,602,073,069</b>	<b>(231,710,737)</b>	<b>2,370,362,332</b>	<b>(8,350,000)</b>	<b>-</b>	<b>2,362,012,332</b>	<b>(1,233,385,486)</b>	<b>-</b>	<b>(3,595,397,818)</b>	<b>(52)%</b>	<b>(47)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,602,073,069</b>	<b>(231,710,737)</b>	<b>2,370,362,332</b>	<b>(8,350,000)</b>	<b>-</b>	<b>2,362,012,332</b>	<b>(1,233,385,486)</b>	<b>-</b>	<b>(3,595,397,818)</b>	<b>(52)%</b>	<b>(47)%</b>

**Appendix G4 - Unaudited  
Budgeted Capital Expenditure by vote, standard classification and funding  
for the year ended 30 June 2015**

**2014/2015**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital expenditure - Vote</b>										
<b>Multi-year expenditure</b>										
Vote 1 - City Manager	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 3 - Corporate Services	19,353,868	18,621,475	37,975,343	6,897,000	44,872,343	32,051,782	-	(12,820,561)	71 %	166 %
Vote 4 - Finance	2,075,000	-	2,075,000	(1,231,840)	843,160	525,481	-	(317,679)	62 %	25 %
Vote 5 - Social Services	56,807,160	7,887,724	64,694,884	750,000	65,444,884	53,294,498	-	(12,150,386)	81 %	94 %
Vote 6 - Planning	175,191,775	(98,015,565)	77,176,210	1,864,295	79,040,505	43,383,702	-	(35,656,803)	55 %	25 %
Vote 7 - Human Settlement and Housing	-	365,061	365,061	-	365,061	-	-	(365,061)	- %	DIV/0 %
Vote 8 - Fresh Produce Market	500,000	1,660,000	2,160,000	-	2,160,000	2,157,838	-	(2,162)	100 %	432 %
Vote 9 - Engineering Services	301,048,494	(12,117,696)	288,930,798	125,531,230	414,462,028	390,896,571	-	(23,565,457)	94 %	130 %
Vote 10 - Water Services	274,720,069	71,070,004	345,790,073	20,519,333	366,309,406	306,166,639	-	(60,142,767)	84 %	111 %
Vote 11 - Miscellaneous Services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 12 - Regional Operations	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 13 - Strategic Projects and Service Delivery Regulation	5,400,000	-	5,400,000	-	5,400,000	5,000,000	-	(400,000)	93 %	93 %
Vote 14 - Centlec (SOC)	298,963,243	130,056	299,093,299	-	299,093,299	282,576,832	-	(16,516,467)	94 %	95 %
<b>Capital multi-year expenditure sub-total</b>	<b>1,134,059,609</b>	<b>(10,398,941)</b>	<b>1,123,660,668</b>	<b>154,330,018</b>	<b>1,277,990,686</b>	<b>1,116,053,343</b>	<b>-</b>	<b>(161,937,343)</b>	<b>87 %</b>	<b>98 %</b>
<b>Single-year expenditure</b>										
Vote 1 - City Manager	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 3 - Corporate Services	7,355,000	4,050,000	11,405,000	(413,797)	10,991,203	3,319,196	-	(7,672,007)	30 %	45 %
Vote 4 - Finance	3,000,000	-	3,000,000	2,431,840	5,431,840	5,431,645	-	(195)	100 %	181 %
Vote 5 - Social Services	22,452,000	(1,500,000)	20,952,000	(600,000)	20,352,000	4,564,423	-	(15,787,577)	22 %	20 %
Vote 6 - Planning	76,224,000	(26,500,000)	49,724,000	135,705	49,859,705	20,818,683	-	(29,041,022)	42 %	27 %
Vote 7 - Human Settlement and Housing	19,264,063	(9,000,000)	10,264,063	-	10,264,063	9,945,645	-	(318,418)	97 %	52 %
Vote 8 - Fresh Produce Market	200,000	40,000	240,000	-	240,000	199,620	-	(40,380)	83 %	100 %
Vote 9 - Engineering Services	202,907,976	(2,555,193)	200,352,783	(21,511,340)	178,841,443	164,880,765	-	(13,960,678)	92 %	81 %
Vote 10 - Water Services	4,000,000	-	4,000,000	-	4,000,000	4,000,000	-	-	100 %	100 %
Vote 11 - Miscellaneous Services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 12 - Regional Operations	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Vote 13 - Strategic Projects and Service Delivery Regulation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Capital single-year expenditure sub-total</b>	<b>335,403,039</b>	<b>(35,465,193)</b>	<b>299,937,846</b>	<b>(19,957,592)</b>	<b>279,980,254</b>	<b>213,159,977</b>	<b>-</b>	<b>(66,820,277)</b>	<b>76 %</b>	<b>64 %</b>
<b>Total Capital Expenditure - Vote</b>	<b>1,469,462,648</b>	<b>(45,864,134)</b>	<b>1,423,598,514</b>	<b>134,372,426</b>	<b>1,557,970,940</b>	<b>1,329,213,320</b>	<b>-</b>	<b>(228,757,620)</b>	<b>85 %</b>	<b>90 %</b>

**Appendix G4 - Unaudited  
Budgeted Capital Expenditure by vote, standard classification and funding  
for the year ended 30 June 2015**

**2014/2015**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital Expenditure - Standard</b>										
<b>Governance and administration</b>	-	<b>22,605,007</b>	<b>22,605,007</b>	<b>5,383,203</b>	<b>27,988,210</b>	-	-	<b>(27,988,210)</b>	- %	<b>DIV/0 %</b>
Executive and council	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Budget and treasury office	-	-	-	1,200,000	1,200,000	-	-	(1,200,000)	- %	DIV/0 %
Corporate services	-	22,605,007	22,605,007	4,183,203	26,788,210	-	-	(26,788,210)	- %	DIV/0 %
<b>Community and public safety</b>	-	<b>(2,680,747)</b>	<b>(2,680,747)</b>	<b>1,450,000</b>	<b>(1,230,747)</b>	-	-	<b>1,230,747</b>	- %	<b>DIV/0 %</b>
Community and social services	-	1,550,583	1,550,583	(1,100,000)	450,583	-	-	(450,583)	- %	DIV/0 %
Sport and recreation	-	431,529	431,529	2,300,000	2,731,529	-	-	(2,731,529)	- %	DIV/0 %
Public safety	-	4,337,141	4,337,141	250,000	4,587,141	-	-	(4,587,141)	- %	DIV/0 %
Housing	-	(9,000,000)	(9,000,000)	-	(9,000,000)	-	-	9,000,000	- %	DIV/0 %
Health	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Economic and environmental services</b>	-	<b>(148,891,304)</b>	<b>(148,891,304)</b>	<b>31,012,999</b>	<b>(117,878,305)</b>	-	-	<b>117,878,305</b>	- %	<b>DIV/0 %</b>
Planning and development	-	(124,515,565)	(124,515,565)	2,000,000	(122,515,565)	-	-	122,515,565	- %	DIV/0 %
Road transport	-	(24,875,739)	(24,875,739)	28,012,999	3,137,260	-	-	(3,137,260)	- %	DIV/0 %
Environmental protection	-	500,000	500,000	1,000,000	1,500,000	-	-	(1,500,000)	- %	DIV/0 %
<b>Trading services</b>	<b>537,965,314</b>	<b>81,402,910</b>	<b>619,368,224</b>	<b>379,103,056</b>	<b>998,471,280</b>	-	-	<b>(998,471,280)</b>	- %	<b>- %</b>
Electricity	298,963,243	130,056	299,093,299	282,576,832	581,670,131	-	-	(581,670,131)	- %	- %
Water	-	71,070,004	71,070,004	20,519,333	91,589,337	-	-	(91,589,337)	- %	DIV/0 %
Waste water management	239,002,071	12,081,415	251,083,486	79,610,991	330,694,477	-	-	(330,694,477)	- %	- %
Waste management	-	(1,878,565)	(1,878,565)	(3,604,100)	(5,482,665)	-	-	5,482,665	- %	DIV/0 %
<b>Other</b>	-	<b>1,700,000</b>	<b>1,700,000</b>	-	<b>1,700,000</b>	-	-	<b>(1,700,000)</b>	- %	<b>DIV/0 %</b>
Other	-	1,700,000	1,700,000	-	1,700,000	-	-	(1,700,000)	- %	DIV/0 %
<b>Total Capital Expenditure - Standard</b>	<b>537,965,314</b>	<b>(45,864,134)</b>	<b>492,101,180</b>	<b>416,949,258</b>	<b>909,050,438</b>	-	-	<b>(909,050,438)</b>	- %	- %
<b>Funded by:</b>										
National Government	701,433,000	70,285,575	771,718,575	-	771,718,575	-	-	(771,718,575)	- %	- %
Provincial Government	25,000,000	2,377,416	27,377,416	-	27,377,416	-	-	(27,377,416)	- %	- %
District Municipality	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Other transfers and grants	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Transfers recognised - capital</b>	<b>726,433,000</b>	<b>72,662,991</b>	<b>799,095,991</b>	-	<b>799,095,991</b>	-	-	<b>(799,095,991)</b>	- %	- %
Public contributions & donations	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Borrowing	368,517,759	(110,757,847)	257,759,912	-	257,759,912	-	-	(257,759,912)	- %	- %
Internally generated funds	75,548,646	126,473,092	202,021,738	-	202,021,738	-	-	(202,021,738)	- %	- %
<b>Total Capital Funding</b>	<b>1,170,499,405</b>	<b>88,378,236</b>	<b>1,258,877,641</b>	-	<b>1,258,877,641</b>	-	-	<b>(1,258,877,641)</b>	- %	- %

**Appendix G5 - Unaudited  
Budgeted Cash Flows  
for the year ended 30 June 2015**

**2014/2015**

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand
	Rand	Rand	Rand	Rand	Rand	Rand		
<b>Cash flow from operating activities</b>								
<b>Receipts</b>								
Ratepayers and other	2,234,272,732	(448,809,333)	1,785,463,399	1,785,463,399	3,159,287,974	1,373,824,575	177 %	141 %
Government grants	1,345,204,000	(34,741,091)	1,310,462,909	1,310,462,909	1,429,004,714	118,541,805	109 %	106 %
Interest	149,387,089	(133,432,979)	15,954,110	15,954,110	201,759,795	185,805,685	1,265 %	135 %
<b>Payments</b>								
Suppliers and employees	(2,433,788,117)	(425,689,758)	(2,859,477,875)	(2,859,477,875)	(3,919,464,770)	(1,059,986,895)	137 %	161 %
Finance charges	(104,405,876)	309,018,305	204,612,429	204,612,429	(4,368)	(204,616,797)	- %	- %
Transfers and Grants	(58,938,215)	43,134,623	(15,803,592)	(15,803,592)	-	15,803,592	- %	- %
<b>Net cash flow from/used operating activities</b>	<b>1,131,731,613</b>	<b>(690,520,233)</b>	<b>441,211,380</b>	<b>441,211,380</b>	<b>870,583,345</b>	<b>429,371,965</b>	<b>197 %</b>	<b>77 %</b>
<b>Cash flow from investing activities</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Decrease (increase) other non-current receivables	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Decrease (increase) in non-current investments	-	-	-	-	-	-	DIV/0 %	DIV/0 %
<b>Payments</b>								
Capital assets	(994,924,494)	39,644,343	(955,280,151)	(955,280,151)	(1,305,432,066)	(350,151,915)	137 %	131 %
<b>Net cash flow from/used investing activities</b>	<b>(994,924,494)</b>	<b>39,644,343</b>	<b>(955,280,151)</b>	<b>(955,280,151)</b>	<b>(1,305,432,066)</b>	<b>(350,151,915)</b>	<b>137 %</b>	<b>131 %</b>
<b>Cash flow from financing activities</b>								
<b>Receipts</b>								
Borrowing long term/refinancing	368,517,759	58,482,241	427,000,000	427,000,000	321,093,111	(105,906,889)	75 %	87 %
Increase (decrease) in consumer deposits	2,500,000	(216,118)	2,283,882	2,283,882	23,651,263	21,367,381	1,036 %	946 %
<b>Payments</b>								
Repayment of borrowing	(64,935,775)	39,934,684	(25,001,091)	(25,001,091)	-	25,001,091	- %	- %
<b>Net cash flow from/used financing activities</b>	<b>306,081,984</b>	<b>98,200,807</b>	<b>404,282,791</b>	<b>404,282,791</b>	<b>344,744,374</b>	<b>(59,538,417)</b>	<b>85 %</b>	<b>113 %</b>
<b>Net increase/(decrease) in cash held</b>	<b>442,889,103</b>	<b>(552,675,083)</b>	<b>(109,785,980)</b>	<b>(109,785,980)</b>	<b>(90,104,347)</b>	<b>19,681,633</b>	<b>82 %</b>	<b>(20)%</b>
Cash/cash equivalents at the year begin:					452,267,612			
<b>Cash/cash equivalents at the year end:</b>	<b>442,889,103</b>	<b>(552,675,083)</b>	<b>(109,785,980)</b>	<b>(109,785,980)</b>	<b>362,163,265</b>	<b>19,681,633</b>	<b>(330)%</b>	<b>82 %</b>

**Appendix H - Audited  
Councillors' arrear consumer accounts (over 90 days)  
Water and Other services**

**Year end 30 June 2015**

<b>Surname and Initials</b>	<b>July 2014</b>	<b>August 2014</b>	<b>September 2014</b>	<b>October 2014</b>	<b>November 2014</b>	<b>December 2014</b>	<b>January 2015</b>	<b>February 2015</b>	<b>March 2015</b>	<b>April 2015</b>	<b>May 2015</b>	<b>June 2015</b>
Bacela G M	1,645	1,459	1,276	1,107	936	764	590	415	236	58	-	-
Lekgela L E	-	-	-	-	-	-	-	-	-	-	74	536
Manyoni T M	-	-	-	-	-	1,067	3,074	5,516	25	-	-	-
Mashoane E D	24,462	24,579	24,695	24,812	24,931	25,050	25,169	25,289	25,408	25,527	25,647	25,766
Matsemelela M V	-	-	-	-	-	-	417	359	469	656	599	340
Matsoetlane M J	-	-	-	-	-	-	-	-	-	1,057	889	744
Mbange M B	4,202	4,790	5,502	6,153	6,861	7,361	7,735	8,325	8,971	9,929	10,537	11,094
Minnie H	435	753	1,358	2,030	2,187	427	443	460	462	577	714	472
Mononyane M B	43,325	44,904	45,760	48,675	48,610	50,070	50,875	51,689	52,507	51,233	52,059	34,935
Mpakathe T S	-	-	-	-	-	-	-	-	-	-	109	115
Mpheqeka M S	28,928	29,444	29,362	30,435	30,404	30,428	30,265	30,322	30,293	30,444	30,412	30,049
Mtshwane K J	-	-	-	-	-	-	-	91	191	-	-	-
Naile T J	-	-	177	508	1,189	1,566	1,746	1,930	2,118	2,300	2,482	-
Ndamane S S	100	-	-	-	-	-	-	-	53	-	775	645
Nkoe M J	66,597	67,067	67,526	67,891	66,941	67,582	67,086	67,746	68,215	68,649	69,249	69,734
Nothnagel J	4,683	3,911	3,161	22	36	789	2,164	4,085	5,991	9,245	132	-
Petersen J E	15,746	16,444	17,099	17,841	18,629	19,455	20,895	21,762	23,664	25,445	20,070	21,449
Phajane M A	-	-	-	-	35	1,102	-	6	19	2,437	4,151	5,379
Sechoaro C S K	1,304	2,179	2,554	2,998	2,403	3,180	4,131	4,189	4,843	-	-	-
Siyonzana M A	-	-	-	-	-	-	-	-	-	-	-	-
Thipenyane G	-	-	-	-	-	503	1,006	513	1,025	-	-	-
Tsomela M M	918	944	1,074	1,032	1,407	174	370	343	982	1,503	-	-
Ward V W	112,255	112,024	109,413	109,153	108,738	107,442	107,692	107,922	101,525	100,732	100,464	101,130
<b>GRAND TOTAL</b>	<b><u>304,600</u></b>	<b><u>308,498</u></b>	<b><u>308,957</u></b>	<b><u>312,657</u></b>	<b><u>313,307</u></b>	<b><u>316,960</u></b>	<b><u>323,658</u></b>	<b><u>330,962</u></b>	<b><u>326,997</u></b>	<b><u>329,792</u></b>	<b><u>318,363</u></b>	<b><u>302,388</u></b>

**Appendix H - Audited (cont.)**  
**Councillors' arrear consumer accounts (over 90 days)**  
**Water and Other services**

**Year end 30 June 2014**

<b>Surname and Initials</b>	<b>July 2013</b>	<b>August 2013</b>	<b>September 2013</b>	<b>October 2013</b>	<b>November 2013</b>	<b>December 2013</b>	<b>January 2014</b>	<b>February 2014</b>	<b>March 2014</b>	<b>April 2014</b>	<b>May 2014</b>	<b>June 2014</b>
Bacela G M	-	-	-	248	496	745	997	1,250	1,506	1,763	2,021	1,832
Lekgela L E	49,844	49,488	48,016	48,568	45,121	43,666	42,199	8,190	4,870	3,370	1,632	78
Manyoni T M	20	24	-	-	-	-	-	3	-	-	-	-
Masoetsa L A	-	2	-	436	-	-	-	-	-	18	32	-
Matsoetlane M J	-	-	-	-	-	-	-	-	-	36	72	-
Mbange M B	848	848	848	848	848	1,166	1,901	2,519	2,999	3,175	2,936	3,279
Minnie H	-	-	-	-	-	-	-	44	93	142	191	241
Mononyane M B	19,666	20,416	35,753	68,227	38,678	40,971	41,432	42,214	42,930	43,650	44,387	44,091
Mpeqeka M S	30,397	30,257	30,066	30,570	29,931	29,881	29,803	29,721	29,640	29,556	29,473	29,389
Mtshwane K J	-	-	-	-	-	-	-	-	-	-	-	-
Ndamane S S	-	-	-	49	98	147	196	246	296	347	397	249
Nkoe M J	55,553	58,364	59,103	60,196	57,915	59,024	60,620	62,623	63,413	65,015	65,576	66,075
Nothnagel J	3,940	4,463	3,905	4,552	5,204	5,837	6,489	7,146	6,807	6,473	7,144	5,396
Olivier G J	192	-	-	-	-	-	-	-	-	-	-	-
Sechoaro C S K	-	-	-	-	333	330	812	1,502	1,365	2,199	2,976	1,848
Teko E D	67,243	69,106	72,974	76,881	80,784	15,048	19,229	23,432	24,003	24,113	24,230	24,346
Thipenyane G	1,696	1,345	1,187	1,187	874	1,187	1,591	1,999	2,487	1,983	-	-
Toba A L	184	152	-	189	-	-	-	-	-	-	-	-
Tsomela M M	-	22	3	-	11	-	-	-	228	527	800	680
Van Der Merwe R	-	-	-	85	171	257	343	431	518	607	-	-
Ward V W	10,769	8,938	10,014	9,252	10,952	12,675	14,628	16,622	18,539	18,881	18,857	20,855
<b>GRAND TOTAL</b>	<b><u>240,352</u></b>	<b><u>243,425</u></b>	<b><u>261,869</u></b>	<b><u>301,288</u></b>	<b><u>271,416</u></b>	<b><u>210,934</u></b>	<b><u>220,240</u></b>	<b><u>197,942</u></b>	<b><u>199,694</u></b>	<b><u>201,855</u></b>	<b><u>200,724</u></b>	<b><u>198,359</u></b>

**Appendix H - Audited (cont.)  
Councillors' arrear consumer accounts (over 90 days)  
Electricity services**

**Year end 30 June 2015**

Surname and Initials	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015
Snyman van Deventer E	469	469	469	469	469	469	469	469	469	469	469	469
Monanyane MB	69,647	70,923	72,257	73,714	75,335	75,767	76,235	76,707	77,178	77,649	78,120	78,591
Masoetsa LA	7,066	5,940	9,541	10,953	11,945	12,700	11,938	11,610	10,689	10,222	9,307	7,235
Siyonzana MA	11,461	14,680	18,485	15,897	18,079	20,110	21,727	23,346	24,796	26,150	27,807	29,534
Mashoane ED	78,054	78,551	79,048	79,546	80,043	80,541	81,038	81,535	82,033	82,530	83,028	83,525
Nothnagel J	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901	21,901
Sechoaro CSK	5,750	5,788	5,826	3,826	3,826	3,826	3,826	3,826	3,826	3,826	3,826	3,826
Peterson JE	17,384	17,501	17,618	17,618	17,618	17,618	17,618	16,618	15,618	15,618	15,618	15,618
<b>GRAND TOTAL</b>	<b><u>211,732</u></b>	<b><u>215,753</u></b>	<b><u>225,145</u></b>	<b><u>223,924</u></b>	<b><u>229,216</u></b>	<b><u>232,932</u></b>	<b><u>234,752</u></b>	<b><u>236,012</u></b>	<b><u>236,510</u></b>	<b><u>238,365</u></b>	<b><u>240,076</u></b>	<b><u>240,699</u></b>

**Year end 30 June 2014**

Surname and Initials	Outstanding less than 90 days	Outstanding more than 90 days	Total
Nothnagel J	1,357	1,357	1,357
Snyman van Deventer E	-	3	3
Monanyane MB	5,524	64,684	70,208
Pongolo DX	10	387	397
Masoetsa LA	3,966	-	3,966
Siyonzana MA	7,394	2,634	10,028
Mashoane ED	1,941	76,113	78,054
Manyoni TM	4,092	-	4,092
Sechoaro CSK	3,164	3,664	6,828
Viviers BJ	2,214	-	2,214
<b>GRAND TOTAL</b>	<b><u>29,662</u></b>	<b><u>148,842</u></b>	<b><u>177,147</u></b>

