

Maletswai

LOCAL MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2015

MALETSWAI LOCAL MUNICIPALITY

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MALETSWAI LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

GENERAL INFORMATION

NATURE OF BUSINESS

Maletswai Municipality (EC143) is a local municipality performing the functions as set out in the Constitution. (Act no 108 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Maletswai Local Municipality includes the following areas:

Aliwal North
Jamestown

MUNICIPAL MANAGER

Mr. M.P Nonjola

CHIEF FINANCIAL OFFICER

Mr. T. Maseko

REGISTERED OFFICE

Corner Somerset & Barkley Street, Aliwal North, 9750

AUDITORS

Auditor General South Africa

PRINCIPAL BANKERS

First National Bank, Aliwal North

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2011
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

ATTORNEYS

Douglas and Botha
Horn & Kumm

MALETSWAI LOCAL MUNICIPALITY

MEMBERS OF THE MALETSWAI LOCAL MUNICIPALITY

MEMBERS OF COUNCIL

Mayor/PR Councillor	Cllr N S Mathetha
PR Councillor	Cllr E S Mbana
PR Councillor	Cllr G D Fourie
PR Councillor	Cllr H du Preez
PR Councillor	Cllr M Jan
PR Councillor	Cllr MB Mtshingana
Ward 1 Councillor	Cllr KS Lange
Ward 2 Councillor	Cllr MW Mokhoabane
Ward 3 Councillor	Cllr ZE Betana
Ward 4 Councillor	Cllr P Williams
Ward 5 Councillor	Cllr M Mdumisa
Ward 6 Councillor	Cllr M Tsolanku

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2015, which are set out on pages 1 to 93 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP).

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr. M.P Nonjola
Municipal Manager

Date

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

	Notes	2015 (Actual) R	2014 (Restated) R
NET ASSETS AND LIABILITIES			
Net Assets		169 694 117	191 231 634
Accumulated Surplus		169 694 117	191 231 634
Non-Current Liabilities		18 934 268	21 100 077
Annuity Loans	3.1	2 268 101	2 354 698
Hire Purchases	3.2	1 019 091	1 856 991
Capitalised Lease Liability	3.3	-	638 348
Employee benefits	4	11 384 726	12 362 330
Non-Current Provisions	5	4 262 350	3 887 711
Current Liabilities		99 762 692	71 533 315
Consumer Deposits	6	1 901 487	2 019 593
Current Employee benefits	7	8 037 887	7 938 605
Provisions	8	305 902	328 172
Payables from exchange transactions	9	76 666 439	51 883 110
Unspent Conditional Government Grants and Receipts	10.1	11 150 680	7 697 500
Annuity Loans	3.1	221 538	210 863
Hire Purchases	3.2	839 809	889 936
Capitalised Lease Liability	3.3	638 950	565 536
Total Net Assets and Liabilities		288 391 077	283 865 026
ASSETS			
Non-Current Assets		257 218 506	261 274 629
Property, Plant and Equipment		204 779 096	208 149 507
Property, Plant and Equipment (Excluding Capitalised Restoration Costs)	12.1	204 779 096	208 149 507
Capitalised Restoration Costs	12.2	-	-
Investment Property	13	47 570 216	47 880 058
Intangible Assets	14	275 846	315 109
Heritage Assets	15	2 321 543	2 321 543
Non-Current Investments	16	780 905	740 904
Biological Assets	17	1 490 900	1 867 509
Current Assets		31 172 571	22 590 397
Inventory	18	667 648	755 524
Receivables from exchange transactions	19	8 590 155	8 348 562
Receivables from non-exchange transactions	20	2 060 233	2 416 463
Unpaid Government Grants and Receipts	10.2	1 096 000	-
Taxes	11	5 252 797	2 174 367
Cash and Cash Equivalents	22	13 505 738	8 895 481
Total Assets		288 391 077	283 865 026

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 (Actual) R	2014 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		52 597 094	55 257 883
Taxation Revenue		11 150 337	11 436 797
Property taxes	23	11 150 337	11 436 797
Transfer Revenue		38 749 187	38 763 618
Government Grants and Subsidies - Capital	24	7 138 989	8 413 960
Government Grants and Subsidies - Operating	24	31 559 383	30 349 658
Public Contributions and Donations		50 815	-
Other Revenue		2 697 570	5 057 469
Actuarial Gains	4	2 349 666	93 118
Third Party Payments		25 891	82 164
Fines		322 013	247 796
Other Income	26	-	4 634 390
Revenue from Exchange Transactions		69 151 549	68 498 817
Service Charges	25	60 612 679	56 111 756
Rental of Facilities and Equipment		1 957 503	2 094 734
Interest Earned - external investments		670 724	478 002
Interest Earned - outstanding debtors		562 243	342 186
Licences and Permits		1 798 424	2 073 733
Agency Services		1 700 836	4 705 050
Other Income	26	1 456 532	2 139 294
Gain on disposal of Property, Plant & Equipment		392 609	170 352
Fair Value Adjustments	27	-	383 709
Total Revenue		121 748 643	123 756 700
EXPENDITURE			
Employee related costs	28	42 055 972	41 059 964
Remuneration of Councillors	29	3 464 708	3 290 731
Debt Impairment	30	6 122 221	4 121 301
Depreciation and Amortisation	31	12 058 594	11 896 931
Impairments	32	191 597	262 447
Repairs and Maintenance	33	3 687 353	4 127 032
Actuarial losses	4	-	48 482
Finance Charges	34	7 230 986	4 953 452
Bulk Purchases	35	47 763 006	45 015 920
Grants and Subsidies Paid	36	391 251	386 505
Other Operating Grant Expenditure	37	3 342 076	4 065 735
General Expenses	38	16 239 502	17 490 178
Fair Value Adjustments	27	376 609	-
Loss on disposal of Property, Plant and Equipment		362 285	607 510
Total Expenditure		143 286 160	137 326 187
NET DEFICIT FOR THE YEAR		(21 537 516)	(13 569 487)

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

	Accumulated Surplus	Total
	R	R
Balance at 1 JULY 2013 - Previously stated	205 548 071	205 548 071
Prior Period Adjustments - See Note 39.10	(746 950)	(746 950)
Restated Balance at 1 JULY 2013	204 801 121	204 801 121
Net Deficit for the year	(13 569 487)	(13 569 487)
Restated Balance at 30 JUNE 2014	191 231 634	191 231 634
Net Deficit for the year	(21 537 516)	(21 537 516)
Balance at 30 JUNE 2015	169 694 117	169 694 117

MALETSWAI LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	Notes	30 JUNE 2015 (Actual) R	30 JUNE 2014 (Restated) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		69 989 015	74 589 192
Government		41 055 552	44 987 756
Interest		1 232 967	820 188
Payments			
Suppliers		(49 339 935)	(56 043 206)
Employees		(42 016 802)	(40 227 973)
Finance charges		(5 788 602)	(3 676 805)
Transfers and Grants		(391 251)	(386 505)
Cash generated by operations	40	14 740 943	20 062 648
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	41	(8 680 589)	(11 059 229)
Proceeds on Disposal of Fixed Assets		446 688	260 986
Increase in Intangible Assets	14	(74 855)	(64 458)
Increase in Non-current Investments		(40 001)	(38 001)
Net Cash from Investing Activities		(8 348 756)	(10 900 702)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(1 663 825)	(1 553 537)
Increase/(Decrease) in Consumer Deposits		(118 105)	173 078
Net Cash from Financing Activities		(1 781 930)	(1 380 459)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4 610 257	7 781 488
Cash and Cash Equivalents at the beginning of the year		8 895 481	1 113 993
Cash and Cash Equivalents at the end of the year	42	13 505 738	8 895 481
NET INCREASE IN CASH AND CASH EQUIVALENTS		4 610 257	7 781 488

Refer to note 41 for further detail regarding the restatement of comparative figures

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R (Final Budget)	2015 R (Actual)	2015 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	2 513 393	13 505 738	(10 992 345)	Grant Fund set aside for Municipal Infrastructure Grant (MIG) projects. A separate bank account was opened on which all capital expenditure payment are made. Significant portion represents the cash backed unspent conditional grant brought forward from previous year.
Consumer debtors	11 556 125	10 650 388	905 737	Decline in payment percentage due to challenges experienced in collecting debt such as increasing
Other Receivables	2 062 441	6 348 797	(4 286 356)	Amount includes input VAT in suspense which is directly related to the significant increase in payables.
Inventory	903 695	667 648	236 046	Stock on hand was utilised much quicker than anticipated or budgeted for
Total current assets	17 035 654	31 172 571	(14 136 917)	
Non current assets				
Investments	777 614	780 905	(3 290)	Total review of investment properties resulting in material adjustment. Investment Properties were reclassified in accordance with the standards of Generally Recognised Accounting Practice 16 and restated. Investment Properties were reviewed in line with the new General Valuation Roll.
Investment property	44 102 262	47 570 216	(3 467 955)	Total review of investment properties resulting in material adjustment. Investment Properties were reclassified in accordance with the standards of Generally Recognised Accounting Practice 16 and restated. Land and Buildings were reviewed in line with the new General Valuation Roll.
Property, plant and equipment	210 188 522	204 779 096	5 409 425	Total review of biological assets resulting in material adjustment. The valuation of all species have been revised upward. Buffaloes values were also revised to reflect market values and there was an additional buffalo in the current year.
Biological Assets	1 399 800	1 490 900	(91 100)	
Intangible Assets	321 120	275 846	45 274	
Heritage Assets	-	2 321 543	(2 321 543)	Recognition of Heritage Assets as a required by GRAP 103, an accounting standard that became effective in 2015 financial year.
Total non current assets	256 789 318	257 218 506	(429 188)	
TOTAL ASSETS	273 824 972	288 391 078	(14 566 106)	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (CONTINUED)

	2015 R (Final Budget)	2015 R (Actual)	2015 R (Variance)	Explanations for material variances
LIABILITIES				
Current liabilities				
Borrowing	1 369 915	1 700 297	(330 382)	Insufficient allocation for short term portion of in budget
Consumer deposits	1 946 515	1 901 487	45 028	
Trade and other payables	41 317 088	87 817 119	(46 500 031)	Significant increase in Eskom Bulk Purchases, Joe Qqabi Water & Sanitaion payables and insufficient funds to make payment timely.
Provisions and Employee Benefits	6 320 400	8 343 789	(2 023 389)	Budget based on prior year estimates provided by actuaries. Material actuarial gain in current year not budgeted for
Total current liabilities	<u>50 953 917</u>	<u>99 762 692</u>	<u>(48 808 775)</u>	
Non current liabilities				
Borrowing	5 074 774	3 287 192	1 787 582	Insufficient allocation made for redemption of borrowing in budget
Provisions and Employee Benefits	16 192 552	15 647 076	545 476	Budget based on prior year estimates provided by actuaries. Material actuarial gain in current year not budgeted for
Total non current liabilities	<u>21 267 325</u>	<u>18 934 268</u>	<u>2 333 057</u>	
TOTAL LIABILITIES	<u><u>72 221 243</u></u>	<u><u>118 696 960</u></u>	<u><u>(46 475 717)</u></u>	
NET ASSETS	<u><u>201 603 730</u></u>	<u><u>169 694 117</u></u>	<u><u>31 909 613</u></u>	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	<u>201 603 730</u>	<u>169 694 117</u>	<u>31 909 612</u>	
TOTAL COMMUNITY WEALTH/EQUITY	<u><u>201 603 730</u></u>	<u><u>169 694 117</u></u>	<u><u>31 909 612</u></u>	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	2 513 393	-	2 513 393	
Consumer debtors	11 556 125	-	11 556 125	
Other Receivables	2 062 441	-	2 062 441	
Inventory	903 695	-	903 695	
Total current assets	<u>17 035 654</u>	<u>-</u>	<u>17 035 654</u>	
Non current assets				
Investments	777 614	-	777 614	
Investment property	44 102 262	-	44 102 262	
Property, plant and equipment	210 188 522	-	210 188 522	
Biological Assets	1 399 800	-	1 399 800	
Intangible Assets	321 120	-	321 120	
Total non current assets	<u>256 789 318</u>	<u>-</u>	<u>256 789 318</u>	
TOTAL ASSETS	<u><u>273 824 972</u></u>	<u><u>-</u></u>	<u><u>273 824 972</u></u>	
LIABILITIES				
Current liabilities				
Borrowing	1 369 915	-	1 369 915	
Consumer deposits	1 946 515	-	1 946 515	
Trade and other payables	41 317 088	-	41 317 088	
Provisions and Employee Benefits	6 320 400	-	6 320 400	
Total current liabilities	<u>50 953 917</u>	<u>-</u>	<u>50 953 917</u>	
Non current liabilities				
Borrowing	5 074 774	-	5 074 774	
Provisions and Employee Benefits	16 192 552	-	16 192 552	
Total non current liabilities	<u>21 267 325</u>	<u>-</u>	<u>21 267 325</u>	
TOTAL LIABILITIES	<u><u>72 221 243</u></u>	<u><u>-</u></u>	<u><u>72 221 243</u></u>	
NET ASSETS	<u><u>201 603 730</u></u>	<u><u>-</u></u>	<u><u>201 603 730</u></u>	
COMMUNITY WEALTH				
Accumulated Surplus	201 603 730	-	201 603 730	
TOTAL COMMUNITY WEALTH/EQUITY	<u><u>201 603 730</u></u>	<u><u>-</u></u>	<u><u>201 603 730</u></u>	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R (Final Budget)	2015 R (Actual)	2015 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	12 783 120	11 150 337	1 632 783	Budget was based on the revised values as per the new general valuation conducted in 2013/14
Service charges	69 591 340	60 612 679	8 978 661	Budget preparations was done on the basis of prior year actual plus an increase of approximately 25%.
Rental of facilities and equipment	2 208 570	1 957 503	251 067	Decrease in demand for the use of facilities such as chalets due to its low standard compared to other services in town such as the provision of Bed & Breakfast facilities.
Interest earned - external investments	600 000	670 724	(70 724)	Interest earned on cash balances at the bank. The bank balance in the Capital projects dedicated account remained high during the year thus attracting high interest income.
Interest earned - outstanding debtors	442 000	562 243	(120 243)	The debtors balance remained relatively constant during the year hence a slight variance with the budgeted amount.
Fines	231 780	322 013	(90 233)	Increased roadblocks and other law enforcement activities resulted in increased fines and penalties.
Licences and permits	2 152 170	1 798 424	353 746	The budget was based on the statistics from the prior year actuals with anticipation that there will be an increased number of licence renewals, learners licence applications, renewal of permits, etc. The factors on the increase such as licences are not within the control of the municipality.
Agency services	1 947 380	1 700 836	246 544	The services rendered on behalf of the Department of Transport which attracts agency fees did not yield as per the anticipated budget. These services include the learners , drivers licencses, etc which are not within the control of the municipality.
Government Grants and Subsidies - Operating	30 803 730	31 559 383	(755 653)	
Other revenue	3 996 040	3 882 904	113 136	Actuarial Gains of approximately R2million resulting from the current employee benefits assessment increased significantly. The budget was based on the prior year actual
Gains on disposal of PPE	66 400	392 609	(326 209)	The disposal of assets is entirely dependent on the auction prices and at the time of compiling the budget estimates were based on the prior year statistics.
Total Operating Revenue	<u>124 822 530</u>	<u>114 609 655</u>	<u>10 212 875</u>	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET (CONTINUED)

	2015 R (Final Budget)	2015 R (Actual)	2015 R (Variance)	Explanations for material variances
EXPENDITURE BY TYPE				
Employee related costs	45 088 170	42 055 972	3 032 198	The increase on salaries was based on 7% and the Local Bargaining Council only awarded a 6.84%. Positions that were budgeted but not filled.
Remuneration of councillors	3 608 490	3 464 708	143 782	
Debt impairment	350 000	6 122 221	(5 772 221)	The budget was predominantly based on cash basis and this is a non cash flow item influenced by the economic conditions within the municipal jurisdiction.
Depreciation & asset impairment	2 160 690	12 250 191	(10 089 501)	Increase due to deterioration on assets. The budget was predominantly based on cash basis and this is a non cash flow item influenced by the conditions of the asset
Finance charges	627 140	7 230 986	(6 603 846)	Significant expenditure incurred due to late payment of creditors (ie Eskom). No budget allocation for Employee Benefit Provisions.
Bulk purchases	46 417 320	47 763 006	(1 345 686)	
Grants and subsidies paid	-	391 251	(391 251)	Jamestown free basic electricity, refuse and green gel reallocated to an expense item in current year.
Other expenditure	33 910 140	23 645 540	10 264 600	Implementation of cost cutting measures and inadequate cash inflows
Loss on disposal of PPE	-	362 285	(362 285)	
Total Operating Expenditure	<u>132 161 950</u>	<u>143 286 160</u>	<u>(11 124 210)</u>	
Operating Deficit for the year	(7 339 420)	(28 676 505)	21 337 085	
Government Grants and Subsidies - Capital	15 995 970	7 138 989	8 856 981	Variance mainly due to unspent funds rolled over to 2015/2016
Net Surplus/(Deficit) for the year	<u><u>8 656 550</u></u>	<u><u>(21 537 516)</u></u>	<u><u>30 194 066</u></u>	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015	2015	2015	
	R	R	R	
REVENUE BY SOURCE	(Approved Budget)	(Adjustments)	(Final Budget)	Reasons for material adjustments
Property rates	12 783 120	-	12 783 120	
Service charges	73 239 640	(3 648 300)	69 591 340	
Rental of facilities and equipment	2 308 770	(100 200)	2 208 570	
Interest earned - external investments	223 530	376 470	600 000	More interest provided due to investment of grant funding. More Interest earned on Grand Funding Investment than anticipated. The opening of a dedicated grant funding bank account which attracts a higher interest rate. The balance on grant funding was high due the unspent conditional grant (MIG).
Interest earned - outstanding debtors	384 850	57 150	442 000	Changes in the payment patterns indicating possibility of increased debtors balance
Fines	231 780	-	231 780	
Licences and permits	3 090 000	(937 830)	2 152 170	Decreasing demand and registrations for learners' and drivers' licences
Agency services	2 198 700	(251 320)	1 947 380	Revision of agency fees to be in line with collection indicators.
Government Grants and Subsidies - Operating	30 682 100	121 630	30 803 730	
Other revenue	4 858 130	(862 090)	3 996 040	Alignment with the collection rate as per forecast year to date
Gains on disposal of PPE	34 000	32 400	66 400	
Total Operating Revenue	130 034 620	(5 212 090)	124 822 530	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
ADJUSTMENTS TO APPROVED BUDGET (CONTINUED)

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
EXPENDITURE BY TYPE				
Employee related costs	50 927 100	(5 838 930)	45 088 170	The Water and Sanitation Staff transferred to the Joe Gqabi District Municipality between July and September 2014 were initially included in the budget and subsequently removed.
Remuneration of councillors	3 608 490	-	3 608 490	
Debt impairment	350 000	-	350 000	
Depreciation & asset impairment	2 160 690	-	2 160 690	
Finance charges	443 620	183 520	627 140	Increased interest charges due delays in payment of creditors as well as increases in prime lending rate by 0.25% on municipal borrowings
Bulk purchases	45 600 000	817 320	46 417 320	
Other expenditure	26 639 720	7 270 420	33 910 140	Revised due to increasing costs on subsistence & travelling, telephine costs, audit fees, training and other administrative costs
Total Operating Expenditure	<u>129 729 620</u>	<u>2 432 330</u>	<u>132 161 950</u>	
Operating Surplus/(Deficit) for the year	305 000	(7 644 420)	(7 339 420)	
Government Grants and Subsidies - Capital	10 399 290	5 596 680	15 995 970	Re-allocation of grant funding from Road paving to sports field project in Sarah Moroosi (R9million) and budget allocation for the IT network (R1.3million)
Net Surplus/(Deficit) for the year	<u><u>10 704 290</u></u>	<u><u>(2 047 740)</u></u>	<u><u>8 656 550</u></u>	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2015 R (Final Budget)	2015 R (Actual)	2015 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	90 777 398	69 989 015	20 788 382	Decline in payment percentage and cash collections
Government	46 799 700	41 055 552	5 744 148	The budget included a rollover amount of R4.2 million and National Electrification Grant of R1.39 million.
Interest	898 080	1 232 967	(334 887)	Interest earned on MIG funds in the bank account.
Payments				
Suppliers and Employees	(129 024 120)	(91 356 737)	(37 667 383)	Revised budget on transferred JGDM water and sanitation staff that was included in th original budget. Outstanding Creditors not fully settled during the year
Finance charges	(627 140)	(5 788 602)	5 161 462	Late payment on Eskom Account
Transfers and Grants	-	(391 251)	391 251	Jamestown free basic electricity, refuse and green gel not budgeted for.
NET CASH FROM OPERATING ACTIVITIES	8 823 918	14 740 943	(5 917 025)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	66 400	446 688	(380 288)	Assets sold at a price higher than anticipated
Decrease/(increase) in non-current investments	410 400	(40 001)	450 401	Non-current investments is ringfenced on DBSA loan as security and does not change significantly
Payments				
Capital assets	(17 300 970)	(8 755 444)	(8 545 526)	Expenditure on MIG funding not in accordance with Budget
NET CASH USED IN INVESTING ACTIVITIES	(16 824 170)	(8 348 756)	(8 475 414)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase/(decrease) in consumer deposits	100 000	(118 105)	218 105	Repayment of consumer deposits in excess of the anticipated budget
Payments				
Repayment of borrowing	(1 191 762)	(1 663 825)	472 063	The increase in the interest rate by 0.25% resulted in additional cashflows
NET CASH USED IN FINANCING ACTIVITIES	(1 091 762)	(1 781 930)	690 168	
NET INCREASE/(DECREASE) IN CASH HELD	(9 092 014)	4 610 257	(13 702 271)	
Cash and Cash Equivalents at the beginning of the year	(7 816 825)	8 895 481	(16 712 306)	
Cash and Cash Equivalents at the end of the year	(16 908 839)	13 505 738	(30 414 577)	

MALETSWAI LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

ADJUSTMENTS TO APPROVED BUDGET

	2015 R (Approved Budget)	2015 R (Adjustments)	2015 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	94 146 785	(3 369 388)	90 777 398	
Government	41 081 390	5 718 310	46 799 700	Recognition of the Municipal Infrastructure Grant Roll over and National Electrification Grant
Interest	608 380	289 700	898 080	Increase in bank balance on Cpait Funding Account
Payments				
Suppliers and Employees	(126 142 850)	(2 881 270)	(129 024 120)	Transfer of amount originally budgeted on Water and Sanitation staff transferred to the Joe Gqabi District Municipality
Finance charges	(443 620)	(183 520)	(627 140)	Increase in Eskom balance (Creditors)
NET CASH FROM OPERATING ACTIVITIES	9 250 085	(426 168)	8 823 918	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	34 000	32 400	66 400	
Decrease in non-current investments	410 400	-	410 400	
Payments				
Capital assets	(10 704 290)	(6 596 680)	(17 300 970)	Increase due to roll over MIG funding from 2013/2014
NET CASH USED IN INVESTING ACTIVITIES	(10 259 890)	(6 564 280)	(16 824 170)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase in consumer deposits	100 000	-	100 000	
Payments				
Repayment of borrowing	(1 105 220)	(86 542)	(1 191 762)	
NET CASH USED IN FINANCING ACTIVITIES	(1 005 220)	(86 542)	(1 091 762)	
NET DECREASE IN CASH HELD	(2 015 025)	(7 076 990)	(9 092 014)	
Cash and Cash Equivalents at the beginning of the year	(7 816 825)	-	(7 816 825)	
Cash and Cash Equivalents at the end of the year	(9 831 850)	(7 076 990)	(16 908 839)	

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

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

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

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

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

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.5. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2014 to 30 June 2015. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Statement of Comparison of Budget and Actual Amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of Comparison of Budget and Actual Amounts.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24. No amendments or disclosure requirements in terms of GRAP 3 (Revised – March 2012) has been made.

1.6. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
Directive 11	Changes in Measurement Bases following Initial Adoption of Standards of GRAP This Directive can be applied when a Municipality elects to change the measurement bases selected for certain assets on the initial adoption of Standards of GRAP. No significant impact is expected as the Municipality has no intention of changing its measurement bases at this stage.	1 April 2015
GRAP 18 (Original – Feb 2011)	Segment Reporting The objective of this Standard is to establish principles for reporting financial information by segments. No significant impact is expected. Information on expenditure by vote is already included in the notes to the financial statements.	Unknown

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

<p>GRAP 20 (Original – June 2011)</p>	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality previously resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<p>Unknown</p>
<p>GRAP 32 (Original – Aug 2013)</p>	<p>Service Concession Arrangements: Grantor</p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<p>Unknown</p>
<p>GRAP 105 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2015</p>
<p>GRAP 106 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Not Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2015</p>
<p>GRAP 107 (Original – Nov 2010)</p>	<p>Mergers</p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>The municipality will follow the principles in GRAP</p>	<p>1 April 2015</p>

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	<p>107 when the merger between Gariep Municipality and Maletswai Municipality is affected. As both these municipalities currently apply similar accounting principles, the principles included in this Standard will not have a significant impact on the initial recognition of assets and liabilities eventually merged into the combined entity.</p>	
<p>GRAP 108 (Original – Sept 2013)</p>	<p>Statutory Receivables</p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	<p>Unknown</p>
<p>GRAP 109</p>	<p>Accounting by Principles and Agents</p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p>Unknown</p>
<p>IGRAP 11</p>	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<p>1 April 2015</p>
<p>IGRAP 12</p>	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<p>1 April 2015</p>
<p>IGRAP17</p>	<p>Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</p> <p>This Interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the</p>	<p>Unknown</p>

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	arrangement does not constitute a lease.	
	No such transactions or events are expected in the foreseeable future.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.7. LEASES

1.7.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.7.2 Municipality as Lessor

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.8. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability should always be cash-backed, but due to temporary operational requirements, this is not always possible. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash, if available, which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.9. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.10 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are attached to this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

-
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.11. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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

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

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

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised.

1.12. EMPLOYEE BENEFITS

(a) Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. For retired members, Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Accumulated leave is vesting.

(d) Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrue to Section 57 employees. Municipalities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Other Short-term Employee Benefits

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

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

(f) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

1.13. CONSUMER DEPOSITS

Consumer deposits are disclosed as a current liability. Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.14. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if 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. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. 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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Paving	7-50	Buildings	100
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-45	Other vehicles	5
Water	15-20	Office equipment	3-7

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<u>Community</u>		Specialised plant and	
Buildings	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
Halls	20-30	Landfill sites	15
Libraries	20-30	Quarries	25
Parks and gardens	15-20	Emergency equipment	10
Other assets	15-20	Computer equipment	5
<u>Finance lease assets</u>			
Office equipment	3		
Other assets	5		

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

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

1.15.4 De-recognition

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

1.15.5 Site Restoration and dismantling cost

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

Subsequently the asset is measured as follows:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount may not be fully recoverable. If it is such an indication, and any impairment loss is recognised in accordance with the accounting policy on impairments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.15.6 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

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

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

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

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

1.16.2 Subsequent Measurement – Cost Model

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
SEBATA Financial Software	10

1.16.4 De-recognition

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

1.16.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when and only 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 includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. 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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	100

1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

1.18 BIOLOGICAL ASSETS

1.18.1 Initial Recognition

A biological asset or agricultural produce is recognised when and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.18.2 Subsequent Measurement

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be consumable biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is included in profit or loss for the period in which it arises.

1.19 HERITAGE ASSETS

1.19.1 Initial Recognition

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

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

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

1.19.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.19.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

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

1.19.4 De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.19.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2012.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 Cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.20.2 Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an 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.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, 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 usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit 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. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

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

An impairment loss recognised in prior periods for an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.21. NON-CURRENT INVESTMENTS

Financial instruments, which include fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

1.22.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

1.23.1 Initial Recognition

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

1.23.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.23.2.2 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised at cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset 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 a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.23.2.3 Payables and Annuity Loans

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

1.23.2.4 Cash and Cash Equivalents

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

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

1.23.3 De-recognition of Financial Instruments

1.23.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.23.3.2 Financial Liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.23.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

1.24 STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.24.1 Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.24.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

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

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.24.3 De-recognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:

- (i) derecognise the receivable; and

- (ii) recognise separately any rights and obligations created or retained in the transfer.

1.25. REVENUE

1.25.1 Revenue from Non-Exchange Transactions

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

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

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, it would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued and collected by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued or collected by other government institutes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue shall be measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present 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 will be recognised as revenue.

1.25.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, it is a subsequent event.

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

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.26. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

As a minimum, the following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. As a minimum, a person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- a) all members of the governing body of the Municipality;
- b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the entity;
- c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the entity; and
- d) the senior management team of the entity, including the chief executive officer or permanent head of the entity, unless already included in (a).

Management personnel include:

- a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

1.27. UNAUTHORISED EXPENDITURE

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

1.28. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when disclosing and measuring contingent liabilities.

1.31. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.32. CAPITAL COMMITMENTS

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

1.33. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements relates to errors.

2. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 3 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

MALETSWAI LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

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

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

-
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
 - The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

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

Revenue Recognition

Accounting Policy 1.25.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.25.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Impairments of assets – Capitalised Restoration Cost

Impairment charges relating to capitalised restoration costs are linked to the portion of landfill site being utilised in the year under review.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3 LONG-TERM LIABILITIES

3.1 Annuity Loans

	2015 R	2014 R
Annuity Loans - At amortised cost	3 734 840	3 945 703
Less: Current Portion transferred to Current Liabilities	(221 538)	(210 863)
	<u>3 513 301</u>	<u>3 734 840</u>
Plus: Unamortised charges on loans	(1 245 200)	(1 380 142)
Balance 1 July	(1 380 142)	(1 513 932)
Unwinding of unamortised discount on non-current liabilities	134 942	133 790
	<u>2 268 101</u>	<u>2 354 698</u>

There is one annuity loan outstanding. The loans carries interest at 5% per annum and will be fully redeemed on 30 September 2027. The loan is secured by an investment and call investment deposit disclosed in notes 16 and 22

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	405 559	405 559
Payable within two to five years	1 622 236	1 622 236
Payable after five years	3 039 622	3 445 181
	<u>5 067 417</u>	<u>5 472 977</u>
Less: Future finance obligations	(1 332 578)	(1 527 273)
Present value of annuity obligations	<u>3 734 840</u>	<u>3 945 703</u>

3.2 Hire Purchases

Hire Purchase	1 858 900	2 746 927
Less: Current Portion transferred to Current Liabilities	(839 809)	(889 936)
	<u>1 019 091</u>	<u>1 856 991</u>

The obligations under hire purchase agreements are scheduled below:

	Minimum hire purchase payments	
Amounts payable under hire purchase agreements:		
Payable within one year	990 088	1 122 768
Payable within two to five years	1 112 431	2 094 193
	<u>2 102 519</u>	<u>3 216 961</u>
Less: Future finance obligations	(243 619)	(470 034)
Present value of hire purchase obligations	<u>1 858 900</u>	<u>2 746 927</u>

The outstanding hire purchases liability is made up of the following agreements.

Institution	Interest Rate	Redemption date	Carrying value of related asset		Outstanding Balance	
			2015 R	2014 R	2015 R	2014 R
ABSA (Telephone system)	10.25%	01/11/2014	25 403	45 130	-	63 482
ABSA (TATA Truck)	10.25%	05/08/2016	228 593	272 012	120 273	220 114
ABSA (Isuzu KB200I LWB)	10.25%	15/02/2016	65 296	79 611	23 926	56 907
ABSA (2011 Rear Tipping Trailer)	10.25%	15/02/2016	44 642	49 727	12 535	29 814
ABSA (2010 Vibrating Roller)	10.25%	15/02/2016	55 109	69 927	22 438	53 367
ABSA (Isuzu KB200I Fleetside)	10.25%	15/02/2016	76 732	96 066	30 483	72 503
ABSA (Sonalinka Tractor)	10.25%	15/02/2016	147 628	155 884	34 310	81 605
ABSA (Mazda CX 7)	10.25%	01/05/2016	227 871	248 339	79 532	158 236
ABSA (TATA Water Truck)	10.25%	15/12/2017	545 156	605 069	448 442	598 241
ABSA (Nissan UD 330)	10.25%	01/03/2018	1 085 938	1 223 068	985 373	1 280 632
ABSA (Isuzu KB 200I)	10.25%	01/03/2018	117 586	129 331	101 587	132 027
			<u>2 619 954</u>	<u>2 974 163</u>	<u>1 858 900</u>	<u>2 746 927</u>

Hire Purchases are secured by property, plant and equipment - Note 12.1

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

3 LONG-TERM LIABILITIES (CONTINUED)

3.3 Capitalised Lease Liability

Capitalised Lease Liability - At amortised cost
Less: Current Portion transferred to Current Liabilities

	2015 R	2014 R
Capitalised Lease Liability - At amortised cost	638 950	1 203 884
Less: Current Portion transferred to Current Liabilities	(638 950)	(565 536)
	<u>-</u>	<u>638 348</u>

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year
 Payable within two to five years

	Minimum lease payments	
	2015 R	2014 R
Payable within one year	699 243	729 048
Payable within two to five years	-	697 822
	<u>699 243</u>	<u>1 426 870</u>
Less: Future finance obligations	(60 293)	(222 986)
Present value of lease obligations	<u>638 950</u>	<u>1 203 884</u>

The outstanding finance lease liability is made up of the following agreements:

Institution	Interest Rate	Redemption date	Carrying value of related asset		Outstanding Balance	
			2015 R	2014 R	2015 R	2014 R
NRG Rental (Copiers)	16.67%	30/06/2016	447 898	895 796	609 284	1 122 207
<p>The lease agreement has no escalation clause over the 60 month period. After the lease agreement expires, lease payments will continue on a month to month basis until the contract is renewed or cancelled. Equipment will be returned to NRG at the end of the lease term when the contract is cancelled.</p>						
MTN Ltd (Tablets)	17.82%	31/12/2015	32 496	83 210	29 666	81 678
<p>The lease agreement has no escalation clause over the 24 month period. The equipment vests in the name of the municipality at the end of the lease term. The lease payments will continue on a month to month basis at the end of the leased term until the lease is renewed or cancelled.</p>						
			<u>480 394</u>	<u>979 006</u>	<u>638 950</u>	<u>1 203 884</u>

Leases are secured by property, plant and equipment - Note 12.1

4 EMPLOYEE BENEFITS

Post Retirement Medical Benefits - Refer to Note 4.1
 Long Service Awards - Refer to Note 4.2

Total Non-current Employee Benefit Liabilities

Post Retirement Medical Benefits - Refer to Note 4.1	10 032 004	10 902 499
Long Service Awards - Refer to Note 4.2	1 352 722	1 459 831
Total Non-current Employee Benefit Liabilities	<u>11 384 726</u>	<u>12 362 330</u>

Post Retirement Medical Benefits

Balance 1 July
 Contribution for the year
 Expenditure for the year
 Actuarial (Gain)/Loss

Balance 1 July	11 278 008	10 188 679
Contribution for the year	1 571 061	1 392 259
Expenditure for the year	(367 851)	(351 412)
Actuarial (Gain)/Loss	(2 146 766)	48 482

Total post retirement benefits 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

Total post retirement benefits 30 June	<u>10 334 452</u>	<u>11 278 008</u>
Less: Transfer of Current Portion - Note 7	(302 448)	(375 509)
Balance 30 June	<u>10 032 004</u>	<u>10 902 499</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4 EMPLOYEE BENEFITS (CONTINUED)

	2015 R	2014 R
<u>Long Service Awards</u>		
Balance 1 July	1 658 175	1 526 499
Contribution for the year	358 008	341 025
Expenditure for the year	(69 741)	(116 231)
Actuarial Gain	(202 900)	(93 118)
Total long service 30 June	1 743 542	1 658 175
Less: Transfer of Current Portion - Note 7	(390 820)	(198 344)
Balance 30 June	1 352 722	1 459 831

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	12 936 183	11 715 178
Contribution for the year	1 929 069	1 733 284
Expenditure for the year	(437 592)	(467 643)
Actuarial Gain	(2 349 666)	(44 636)
Total employee benefits 30 June	12 077 994	12 936 183
Less: Transfer of Current Portion - Note 7	(693 268)	(573 853)
Balance 30 June	11 384 726	12 362 330

4.1 Post Retirement Benefits

	2015	2014
The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	60	65
In-service (employee) non-members	151	132
Continuation members (e.g. Retirees, widows, orphans)	11	13
Total Members	222	210

The liability in respect of past service has been estimated to be as follows:

In-service employees and	6 449 068	7 139 409
Continuation members	3 885 384	4 138 599
Total Liability	10 334 452	11 278 008

	2013 R	2012 R	2011 R
The liability in respect of periods commencing prior to the comparative year has been estimated as follows:			
Total Liability	10 188 679	10 463 606	8 978 495

Experience adjustments were calculated as follows:

	2015 Rm	2014 Rm	2013 Rm	2012 Rm	2011 Rm
Liabilities: (Gain) / loss	(2.020)	(0.412)	(1.018)	0.018	2.109
Assets: Gain / (loss)	-	-	-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Hosmed
Samwumed

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4 EMPLOYEE BENEFITS (CONTINUED)

2015
% 2014
%

Key actuarial assumptions used:

i) Rate of interest

Discount rate	8.95%	9.03%
Health Care Cost Inflation Rate	8.06%	8.24%
Net Effective Discount Rate	0.82%	0.74%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Actuarial Valuation Method

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

2015
R 2014
R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	10 334 452	11 278 008
Net liability	10 334 452	11 278 008

The liability is not supported by any plan assets.

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	11 278 008	10 188 679
Total expenses	1 203 210	1 040 847
Current service cost	567 520	504 093
Interest Cost	1 003 541	888 166
Benefits Paid	(367 851)	(351 412)
Actuarial (Gain)/Loss	(2 146 766)	48 482
Present value of fund obligation at the end of the year	10 334 452	11 278 008
Less: Transfer of Current Portion - Note 7	(302 448)	(375 509)
Balance 30 June	10 032 004	10 902 499

Sensitivity Analysis on the Accrued Liability

Central Assumptions

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		6.449	3.885	10.334	
Effect of changes in assumptions:					
Health care inflation	1%	7.827	4.259	12.086	17%
Health care inflation	-1%	5.366	3.560	8.926	-14%
Discount Rate	1%	5.382	3.565	8.947	-13%
Discount Rate	-1%	7.829	4.260	12.089	17%
Post-retirement mortality	-1 year	6.684	4.055	10.739	4%
Average retirement age	-1 year	6.929	3.885	10.814	5%
Continuation of membership at retirement	-10%	4.537	3.885	8.422	-18%

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4 EMPLOYEE BENEFITS (CONTINUED)

2016
R

The following are estimates for the 2015/2016 financial year:

Future Service Cost	520 838
Interest Cost	911 430

Sensitivity Analysis on the future service cost and interest cost

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		520 800	911 400	1 432 200	
Effect of changes in assumptions:					
Health care inflation	1%	567 300	1 068 200	1 635 500	20%
Health care inflation	-1%	417 300	785 400	1 202 700	-16%
Discount Rate	1%	422 700	875 300	1 298 000	-9%
Discount Rate	-1%	651 500	949 000	1 600 500	12%
Post-retirement mortality	-1 year	539 300	947 600	1 486 900	4%
Average retirement age	-1 year	540 200	954 400	1 494 600	4%
Withdrawal Rate	-50%	358 300	740 400	1 098 700	-23%

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

The number of officials eligible for Long Service Bonuses

	2015	2014
	211	197

Key actuarial assumptions used:

i) Rate of interest

	2015 %	2014 %
Discount rate	7.71%	7.74%
General Salary Inflation (long-term)	6.90%	7.01%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.76%	0.68%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

iv) Actuarial Valuation Method

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

The amounts recognised in the Statement of Financial Position are as follows:

	2015 R	2014 R
Present value of fund obligations	1 743 542	1 658 175
Net liability	1 743 542	1 658 175

The liability is not supported by any plan assets.

	2013 R	2012 R	2011 R
Total Liability	1 526 499	1 587 460	1 469 844

Experience adjustments were calculated as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Liabilities: (Gain) / loss	(67 228)	85 739	(288 316)	(50 428)	(113 164)
Assets: Gain / (loss)	-	-	-	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

4 EMPLOYEE BENEFITS (CONTINUED)

	2015 R	2014 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	1 658 175	1 526 499
Total expenses	288 267	224 794
Current service cost	237 149	243 309
Interest Cost	120 859	97 716
Benefits Paid	(69 741)	(116 231)
Actuarial gains	(202 900)	(93 118)
Present value of fund obligation at the end of the year	1 743 542	1 658 175
Less: Transfer of Current Portion - Note 7	(390 820)	(198 344)
Balance 30 June	1 352 722	1 459 831

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		1.744	
Effect of changes in assumptions:			
General salary inflation	1%	1.837	5%
General salary inflation	-1%	1.658	-5%
Discount Rate	1%	1.652	-5%
Discount Rate	-1%	1.846	6%
Average retirement age	-2 yrs	1.675	-4%
Average retirement age	2 yrs	1.825	5%
Withdrawal rates	-50%	2.103	21%

	2016 R
The following are estimates for the 2015/2016 financial year:	
Future Service Cost	286 981
Interest Cost	119 656

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		287 000	119 700	406 700	
Effect of changes in assumptions:					
General Salary Inflation	1%	307 600	126 800	434 400	7%
General Salary Inflation	-1%	268 400	113 100	381 500	-6%
Discount Rate	1%	269 800	127 200	397 000	-2%
Discount Rate	-1%	306 300	111 000	417 300	3%
Average retirement age	-2 years	277 100	114 400	391 500	-4%
Average retirement age	+2 years	297 800	126 000	423 800	4%
Withdrawal Rate	-50%	376 600	147 400	524 000	29%

4.3 Retirement funds

	2015 R	2014 R
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contributes to the SALA Pension Fund, Cape Joint Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid recognised in the Statement of Financial Performance		
SALA Pension Fund	2 052 494	2 138 503
Cape Joint Retirement Fund	1 014 235	817 076
SAMWU National Provident Fund	1 363 061	1 367 748
	<u>4 429 791</u>	<u>4 323 327</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

5 NON-CURRENT PROVISIONS

	2015 R	2014 R
Provision for Rehabilitation of Landfill-sites	4 262 350	3 887 711
Total Non-current Provisions	4 262 350	3 887 711

The municipality has 2 Landfill sites. The sites are situated in Jamestown and Aliwal North.

Landfill Sites

Balance 1 July	3 887 711	3 468 289
Additions	191 597	262 447
Unwinding of discounted interest	183 042	156 976
Total provision 30 June	4 262 350	3 887 711
Less: Transfer of Current Portion to Current Provisions	-	-
Balance 30 June	4 262 350	3 887 711

It is estimated that no site will be decommissioned within 1 year from reporting date and thus there are no short term portion associated with this provision. The timing of the outflow of resources relating this provision is uncertain, but management expects the timing to be in line with the closure dates of the various sites.

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. These costs are based on 100% utilisation of the site and the assumptions used are as follows (30 June 2012):

	<u>Aliwal North</u>	<u>Jamestown</u>	<u>Total</u>
Shaping and finishing (R3/m ²)	33 300	30 000	63 300
Fence (R350/m)	220 500	203 000	423 500
Storm water Diversion Measures (R60/m)	19 200	16 800	36 000
Final Landfill Cover (R150/m ²)	1 665 000	1 500 000	3 165 000
Preliminary and general (Rand)	51 000	51 000	102 000
Professional Fees and contingencies (Rand)	455 800	434 780	890 580
	<u>2 444 800</u>	<u>2 235 580</u>	<u>4 680 380</u>

The discount rate used to calculate the present value of the rehabilitation costs at each reporting period is based on a calculated rate as determined by the municipality to illustrate the inflationary risks associated with the rehabilitation provision. This rate is in line with a competitive investment rate the municipality can obtain from an A grade financial institution and is also within the inflation target range of the South African Reserve Bank of between 3% to 6%. The following rate was used - 5.24% (2014 - 4.71%).

The municipality has an obligation to rehabilitate landfill-sites at the end of the expected useful life of the asset. The provision at year end was recognised based on the % of the sites utilised. Total estimated costs to rehabilitate the existing sites are as follows:

The portion of each landfill site utilised, represents managements best estimate on 30 June of each respective financial reporting period.

<u>Location</u>	<u>Estimated decommission date</u>	<u>% utilised</u>		<u>Cost of rehabilitation</u>	
		2015	2014	2015 R	2014 R
Aliwal North	2023	96.50%	95.00%	2 717 377	2 541 980
Jamestown	2029	60.00%	55.00%	1 544 972	1 345 731
				<u>4 262 350</u>	<u>3 887 711</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

6	CONSUMER DEPOSITS	2015	2014
		R	R
	Consumer Deposits	1 901 487	2 019 593
	Total Consumer Deposits	1 901 487	2 019 593
	Guarantees held in lieu of Electricity and Water Deposits	-	-

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

7	CURRENT EMPLOYEE BENEFITS		
	Current Portion of Post Retirement Benefits - Refer to note 4	302 448	375 509
	Current Portion of Long-Service Bonuses - Refer to note 4	390 820	198 344
	Staff Leave	4 203 777	4 871 237
	Performance Bonuses	2 308 626	1 694 949
	Bonuses	832 216	798 565
	Total Current Employee Benefits	8 037 887	7 938 605

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	4 871 237	4 713 747
Contribution to current portion	205 220	613 088
Expenditure incurred	(872 681)	(455 598)
Balance at end of year	4 203 777	4 871 237

Staff leave accrues to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Performance Bonuses

Balance at beginning of year	1 694 949	1 088 809
Contribution to current portion	613 677	606 141
Balance at end of year	2 308 626	1 694 949

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Bonuses

Balance at beginning of year	798 565	841 033
Contribution to current portion	1 948 275	1 859 601
Expenditure incurred	(1 914 623)	(1 902 069)
Balance at end of year	832 216	798 565

Bonuses are being paid to all permanent municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

8	PROVISIONS		
	Compensation for injuries on duty contribution	305 902	328 172
		305 902	328 172

The movement in current provisions are reconciled as follows:

Compensation for injuries on duty contribution

Balance at beginning of year	328 172	583 237
Contribution to current portion	305 902	437 209
Penalties incurred	29 890	34 209
Expenditure incurred	(358 063)	(726 483)
Balance at end of year	305 902	328 172

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

8 PROVISIONS (CONTINUED)

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. The balance represents the best estimate of the outflow of resources. The timing and amount of the outflow is dependant on when an assessment is received from the relevant authorities.

9 PAYABLES FROM EXCHANGE TRANSACTIONS

	2015 R	2014 R
Trade Payables	62 757 859	35 028 369
Balance Previously Reported		34 723 660
Prior Period Adjustment - Refer to note 39.05		304 709
Retentions	2 161 774	2 872 009
Interest Accrued	59 312	67 697
Pre-paid electricity	1 496 030	854 370
Payments received in advance	1 050 435	742 034
Joe Gqabi District Municipality (Water and Sanitation)	6 968 798	11 278 550
Other Creditors	1 811 455	795 241
Balance Previously Reported		500 148
Prior Period Adjustment - Refer to note 39.05		295 093
Sundry deposits	360 776	244 840
Total Trade Payables	76 666 439	51 883 110

Payables are being recognised net of any discounts.

The credit period granted on payables is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

Due to cash flow constraints, a significant increase in payables is evident when compared to the prior year

The increase in other payables can mainly be attributed to salary related payables as well as monies outstanding to Department of Transport for license fees.

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include hall, housing and unidentified deposits.

10 GOVERNMENT GRANTS AND RECEIPTS

10.1 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

	11 150 680	7 697 500
National Government Grants	7 906 424	4 290 225
Provincial Government Grants	3 244 256	3 407 276

10.2 UNPAID GOVERNMENT GRANTS AND RECEIPTS

	1 096 000	-
National Government Grants (Unconditional Equitable Share)	1 096 000	-

10.3 NET GRANTS AND RECEIPTS

	10 054 680	7 697 500
Balance Previously Reported		4 666 779
Prior Period Adjustment - Refer to note 39.09		3 030 721
		7 697 500

Refer to appendix D and note 24 for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

11 TAXES

11.1 VAT Payable

VAT Payable (In suspense)	962 395	795 719
VAT Payable to SARS	85 808	44 307
	1 048 203	840 026

11.2 VAT Receivable

VAT Receivable (In suspense)	6 301 000	3 014 393
	6 301 000	3 014 393

Net VAT Payable/(Receivable)

	(5 252 797)	(2 174 367)
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VAT is payable and receivable on the cash basis.

Balance Previously Reported		(2 174 194)
Prior Period Adjustment - Refer to note 39.08		(173)
		(2 174 367)

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

12 PROPERTY, PLANT AND EQUIPMENT

12.1 PROPERTY, PLANT AND EQUIPMENT (EXCLUDING CAPITALISED RESTORATION COSTS)

30 JUNE 2015

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance R	Additions R	Transfers R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	29 942 296	-	-	-	29 942 296	656 806	119 481	-	776 287	29 166 009
Land	17 994 241	-	-	-	17 994 241	-	-	-	-	17 994 241
Buildings	11 948 055	-	-	-	11 948 055	656 806	119 481	-	776 287	11 171 768
Infrastructure	223 775 181	5 868 068	-	(892 009)	228 751 240	61 466 729	9 270 044	(786 340)	69 950 433	158 800 806
Roads and Stormwater	155 431 241	4 268 692	-	(892 009)	158 807 925	49 596 190	6 884 419	(786 340)	55 694 269	103 113 656
Electricity	65 223 909	1 599 375	-	-	66 823 284	11 832 007	2 378 856	-	14 210 863	52 612 421
Other	3 120 030	-	-	-	3 120 030	38 532	6 769	-	45 302	3 074 729
Community Assets	7 842 083	2 467 114	-	-	10 309 198	604 614	313 683	-	918 298	9 390 900
Recreation Grounds and Facilities	5 465 757	2 467 114	-	-	7 932 871	309 181	313 683	-	622 864	7 310 007
Cemetery	2 376 326	-	-	-	2 376 326	295 434	-	-	295 434	2 080 893
Lease Assets	2 354 493	-	-	(12 286)	2 342 207	1 372 932	494 312	(6 929)	1 860 315	481 892
Office Equipment	2 354 493	-	-	(12 286)	2 342 207	1 372 932	494 312	(6 929)	1 860 315	481 892
Other Assets	15 904 599	345 407	-	(836 589)	15 413 416	7 568 062	1 473 336	(567 472)	8 473 926	6 939 490
Office Equipment and tools	5 492 378	345 407	-	(831 347)	5 006 438	3 203 613	553 342	(563 802)	3 193 152	1 813 286
Motor vehicles and implements	10 412 220	-	-	(5 243)	10 406 978	4 364 449	919 994	(3 670)	5 280 774	5 126 204
	279 818 651	8 680 589	-	(1 740 884)	286 758 355	71 669 144	11 670 856	(1 360 741)	81 979 259	204 779 096

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

30 JUNE 2014

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation				Carrying Value	
	Opening Balance R	Additions R	Transfers R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	R
Land and Buildings	29 942 296	-	-	-	29 942 296	537 326	119 481	-	656 806	29 285 489
Land	17 994 241	-	-	-	17 994 241	-	-	-	-	17 994 241
Buildings	11 948 055	-	-	-	11 948 055	537 326	119 481	-	656 806	11 291 248
Infrastructure	213 763 341	10 674 188	-	(662 347)	223 775 181	53 113 203	8 860 392	(506 866)	61 466 729	162 308 452
Roads and Stormwater	148 617 767	7 596 511	(218 221)	(564 817)	155 431 241	43 563 628	6 527 985	(495 422)	49 596 190	105 835 051
Electricity	63 020 358	2 082 862	218 221	(97 531)	65 223 909	9 517 813	2 325 638	(11 444)	11 832 007	53 391 902
Other	2 125 216	994 815	-	-	3 120 030	31 763	6 769	-	38 532	3 081 498
Community Assets	7 842 083	-	-	-	7 842 083	290 931	313 683	-	604 614	7 237 469
Recreation Grounds and Facilities	5 465 757	-	-	-	5 465 757	90 550	218 630	-	309 181	5 156 576
Cemetery	2 376 326	-	-	-	2 376 326	200 381	95 053	-	295 434	2 080 893
Lease Assets	2 250 062	104 431	-	-	2 354 493	902 756	470 176	-	1 372 932	981 561
Office Equipment	2 250 062	104 431	-	-	2 354 493	902 756	470 176	-	1 372 932	981 561
Other Assets	17 998 618	385 041	-	(2 479 061)	15 904 599	7 762 487	1 741 973	(1 936 398)	7 568 062	8 336 537
Office Equipment and Tools	6 162 020	385 041	-	(1 054 683)	5 492 378	3 378 192	787 036	(961 615)	3 203 613	2 288 766
Motor vehicles and implements	11 836 598	-	-	(1 424 378)	10 412 220	4 384 294	954 938	(974 783)	4 364 449	6 047 771
	271 796 399	11 163 660	-	(3 141 408)	279 818 651	62 606 702	11 505 705	(2 443 264)	71 669 144	208 149 507
Balance previously reported	271 592 032	11 163 660	-	(3 141 408)	279 614 284	62 448 434	11 474 053	(2 443 264)	71 479 223	208 135 060
Prior Period Adjustment - Refer to note 39.01	204 367	-	-	-	204 367	158 268	31 653	-	189 921	14 446
	271 796 399	11 163 660	-	(3 141 408)	279 818 651	62 606 702	11 505 705	(2 443 264)	71 669 144	208 149 507

GRAP 17 - Property, Plant and Equipment

Included in PPE balances at each reporting period are the following Work in Progress balances. No depreciation is charged on these balances before the project is completed.

	2015 R	2014 R
Infrastructure - Roads and Stormwater	-	6 309 767
Infrastructure - Electricity	-	1 784 112
Infrastructure - Other	2 984 642	2 984 642
Community Assets - Recreation Grounds	2 467 114	-
	5 451 757	11 078 521

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease- or hire purchase agreement as disclosed in note 3 to the financial statements

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

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

12.2 PROPERTY PLANT AND EQUIPMENT - CAPITALISED RESTORATION COSTS

	2015 R	2014 R
Net Carrying amount at 1 July	-	-
Acquisitions	191 597	262 447
Impairments	(191 597)	(262 447)
Net Carrying amount at 30 June	-	-
Cost	2 457 655	2 266 058
Accumulated Impairments	(2 457 655)	(2 266 058)

Landfill-sites financed by way of a provision - Refer to note 5 for further disclosures.

13 INVESTMENT PROPERTY

	47 880 058	48 156 899
Net Carrying amount at 1 July		
Cost	49 325 969	49 325 969
Balance previously reported		51 478 969
Prior Period Adjustment - Refer to note 39.02		(2 153 000)
Accumulated Depreciation	(1 445 911)	(1 169 069)
Balance previously reported		(1 253 898)
Prior Period Adjustment - Refer to note 39.02		84 828
Disposals	(33 000)	-
Depreciation for the year	(276 842)	(276 842)
Balance previously reported		(293 807)
Prior Period Adjustment - Refer to note 39.02		16 966
Net Carrying amount at 30 June	47 570 216	47 880 058
Cost	49 292 969	49 325 969
Accumulated Depreciation	(1 722 752)	(1 445 911)

An income of R 1 477 730 (2014 - R1 461 875) was identified on these investment properties and was recognised as revenue from rental of facilities.

Operating expenses that enabled the municipality to generate economic benefits as well as maintain the standards of the facilities were identified as R 48 893 (2014 - R 259 873).

There are no restrictions on the disposal of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

14 INTANGIBLE ASSETS

	315 109	365 035
Net Carrying amount at 1 July		
Cost	1 495 050	1 430 592
Accumulated Amortisation	(1 179 941)	(1 065 557)
Balance previously reported		(1 079 472)
Prior Period Adjustment - Refer to note 39.03		13 915
Acquisitions	74 855	64 458
Amortisation	(110 896)	(114 384)
Balance previously reported		(112 192)
Prior Period Adjustment - Refer to note 39.03		(2 192)
Disposals	(3 222)	-
Cost	(4 206)	-
Accumulated Amortisation	984	-
Net Carrying amount at 30 June	275 846	315 109
Cost	1 565 699	1 495 050
Accumulated Amortisation	(1 289 853)	(1 179 941)

No intangible assets were assessed to having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

15 HERITAGE ASSETS

	2015 R	2014 R
Net Carrying amount at 1 July	2 321 543	2 321 543
Balance previously reported		-
Prior Period Adjustment - Refer to note 39.04		2 321 543
Net Carrying amount at 30 June	2 321 543	2 321 543
Cost	2 321 543	2 321 543

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

16 NON-CURRENT INVESTMENTS

Fixed Deposits	780 905	740 904
Total Non-Current Investments	780 905	740 904

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 6.27% % to 6.77% per annum. (2014 - 5.38% to 5.50%)

Fixed deposits consist out of the following accounts

ABSA Fixed Deposit - Account number 20-6626-7402	749 687	711 314
ABSA Fixed Deposit - Account number 20-4791-9733	31 217	29 590
	780 905	740 904

Included in Non-Current investments are balances ring-fenced for the following specific purposes:

Security for DBSA loan - Refer note 3	749 687	711 314
	749 687	711 314

17 BIOLOGICAL ASSETS

	2015 Quantity (Units)	2015 Fair Value R	2015 R	2014 R
Springbuck	331	400	132 400	120 003
Blesbuck	68	700	47 600	55 632
Black Wildebeest	43	1 500	64 500	60 000
Gems buck	27	3 200	86 400	202 158
Red Hartbeest	47	2 000	94 000	27 947
Eland	15	5 000	75 000	150 643
Zebra	24	5 000	120 000	127 442
Ostrich	17	500	8 500	13 684
Buffalo	9	95 833	862 500	1 110 000
			1 490 900	1 867 509

Fair value of biological assets is based on selling prices less costs to sell in an open active market. The decline in the buffalo value can mainly be attributed to 10 of the animals breaking out of the reserve and effectively the municipality lost control of the animals, thus not meeting the definition of an asset anymore.

Reconciliation of fair value:

Opening Fair Value	1 867 509	1 483 800
Decrease in fair value due to disposals	(913 853)	(286 125)
Fair value adjustments - Physical changes and death	82 128	340 688
Fair value adjustments - Price adjustments	455 117	329 147
Closing Fair Value	1 490 900	1 867 509

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

17 **BIOLOGICAL ASSETS (CONTINUED)**

There are no commitments for the development or acquisition of biological assets.

All biological assets are classified as consumable and are held for sale.

All biological assets are located in the nature reserve and spa. The primary activities revolving around biological assets are as follows:

- Ensure that the game life in the municipal area are conserved for future generations.
- Ensure that game numbers are managed adequately. When the need arises to reduce the game number, prospective hunters are invited to submit tenders for the purchase of game, resulting in an inflow of resources to the municipality.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

18 **INVENTORY**

	2015 R	2014 R
Consumable Stores - Tar Premix	-	76 570
Consumable Stores - Electrical Stock	667 648	678 954
	667 648	755 524
Inventory recognised as an expense during the year	781 968	777 976

19 **RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Service Receivables

Electricity	8 396 719	7 808 783
Balance Previously Reported		7 962 873
Prior Period Adjustment - Refer to note 39.06		(154 090)
Refuse	4 468 401	2 659 153
Balance Previously Reported		2 621 489
Prior Period Adjustment - Refer to note 39.06		37 664
Other Arrears	1 244 248	1 102 086
Balance Previously Reported		1 093 569
Prior Period Adjustment - Refer to note 39.06		8 517
Total Service Receivables	14 109 367	11 570 022
Less: Allowance for Doubtful Debts	(5 519 212)	(3 221 460)
Total Receivables from exchange transactions	8 590 155	8 348 562

Ageing of Receivables from Exchange Transactions

(Electricity): Ageing

Current (0 - 30 days)	6 591 817	5 791 019
31 - 60 Days	432 706	747 936
61 - 90 Days	218 647	438 718
+ 90 Days	1 153 550	831 111
Total	8 396 719	7 808 783

(Refuse): Ageing

Current (0 - 30 days)	463 478	354 688
31 - 60 Days	282 854	181 612
61 - 90 Days	246 764	149 208
+ 90 Days	3 475 304	1 973 644
Total	4 468 401	2 659 153

(Other arrears): Ageing

Current (0 - 30 days)	148 214	184 582
31 - 60 Days	108 869	67 729
61 - 90 Days	113 987	133 017
+ 90 Days	873 178	716 758
Total	1 244 248	1 102 086

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

19 RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)

	2015 R	2014 R
<i>(Total): Ageing</i>		
Current (0 - 30 days)	7 203 508	6 330 289
31 - 60 Days	824 429	997 277
61 - 90 Days	579 397	720 943
+ 90 Days	5 502 032	3 521 513
Total	14 109 367	11 570 022

Reconciliation of Provision for Bad Debts

Balance at beginning of year	3 221 460	2 333 534
Contribution to provision	4 553 952	3 040 201
Bad Debts Written Off	(2 256 200)	(2 152 274)
Balance at end of year	5 519 212	3 221 460

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Electricity	1 431 900	1 044 692
Refuse	3 258 437	1 587 920
Other	828 874	588 849
	5 519 212	3 221 460

Refer to note 48 d) for disclosures regarding the credit risks associated with receivables.

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

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

20 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Service Receivables

Rates	4 016 172	2 737 174
Balance Previously Reported		2 757 339
Prior Period Adjustment - Refer to note 39.06		(20 164)

Other Receivables

	657 745	1 051 453
Accrued Interest	51 680	33 249
Staff	54 857	362 508
Deposits	146 403	146 403
Government	188 880	192 475
Other Debtors	215 925	316 819

Total Service Receivables	4 673 916	3 788 628
Less: Allowance for Doubtful Debts	(2 613 683)	(1 372 164)

Total Net Receivables from Non-Exchange Transactions	2 060 233	2 416 463
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Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	792 538	794 346
31 - 60 Days	284 805	190 775
61 - 90 Days	194 801	138 556
+ 90 Days	2 744 028	1 613 497
Total	4 016 172	2 737 174

Reconciliation of Provision for Bad Debts

Balance at beginning of year	1 372 164	1 104 895
Contribution to provision	1 938 559	1 180 515
Bad Debts Written Off	(697 040)	(913 246)
Balance at end of year	2 613 683	1 372 164

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

20 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUED)

	2015 R	2014 R
The Provision for Impairment could be allocated between the different classes of receivables as follows:		
Rates	2 613 683	1 372 164
	<u>2 613 683</u>	<u>1 372 164</u>

Refer to note 48 d) for disclosures regarding the credit risks associated with receivables.

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.

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

21 OPERATING LEASE ARRANGEMENTS

Balance on 30 June	<u>-</u>	<u>-</u>
---------------------------	----------	----------

From the 2012 financial year, the lease escalation is effective annually on 01 July in accordance with the rental charge determined by council in the annual budget. Thus no leased asset is calculated on 30 June 2014 and 30 June 2015. The lease agreement for rented flats has a clause indicating that rent will be increased annually on 01 July.

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	280 685	273 406
1 to 5 Years	56 305	109 633
More than 5 Years	7 188	8 142
Total Operating Lease Arrangements	<u>344 178</u>	<u>391 181</u>

22 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	12 494 424	8 082 369
Current Accounts	1 007 261	809 309
Cash Floats	4 052	3 802
Total Cash and Cash Equivalents - Assets	<u>13 505 738</u>	<u>8 895 481</u>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R 1 412 792 (2014 - R 937 168) is held to ensure sufficient cash resources are available when capital and interest payments on the DBSA loan becomes payable. Refer note 3

No overdraft facility exist.

The municipality has the following bank accounts:

Current Accounts

ABSA Bank - Aliwal North Branch - Account Number 1750 14 6194 (Primary Account - 2014)

Cash book balance at beginning of year	716 605	446 323
Cash book balance at end of year	<u>348 272</u>	<u>716 605</u>
Bank statement balance at beginning of year	516 785	537 082
Bank statement balance at end of year	<u>348 272</u>	<u>516 785</u>

First National Bank - Aliwal North Branch - Account Number 6247 6326 965 (Primary Account - 2015)

Cash book balance at beginning of year	2 770	-
Cash book balance at end of year	<u>569 082</u>	<u>2 770</u>
Bank statement balance at beginning of year	2 770	-
Bank statement balance at end of year	<u>189 438</u>	<u>2 770</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

22 CASH AND CASH EQUIVALENTS (CONTINUED)

	2015 R	2014 R
ABSA Bank - Aliwal North Branch - Account Number 4053 40 8352		
Cash book balance at beginning of year	10 327	11 220
Cash book balance at end of year	9 382	10 327
Bank statement balance at beginning of year	10 327	11 220
Bank statement balance at end of year	9 382	10 327
ABSA Bank - Aliwal North Branch - Account Number 1750 14 1125		
Cash book balance at beginning of year	77 923	76 745
Cash book balance at end of year	79 740	77 923
Bank statement balance at beginning of year	77 923	76 745
Bank statement balance at end of year	79 740	77 923
ABSA Bank - Aliwal North Branch - Account Number 4059 12 9037		
Cash book balance at beginning of year	1 683	2 494
Cash book balance at end of year	786	1 683
Bank statement balance at beginning of year	1 683	2 494
Bank statement balance at end of year	786	1 683
Call Investment Deposits		
Call investment deposits consist out of the following accounts:		
<u>Institution</u>	<u>Account Nr</u>	<u>Type</u>
ABSA	92-7883-5880	32 Days Notice
ABSA	92-7435-2868	Call Account
First National Bank	62-4822-13247	Call Account
		8 529 414
		1 406 768
		2 558 243
		7 145 202
		937 168
		-
		12 494 424
		8 082 369

23 PROPERTY RATES

Actual		
Rateable Land and Buildings		
Residential, Commercial Property, State	15 653 037	15 154 193
Less: Rebates	(4 502 700)	(3 717 396)
Total Assessment Rates	11 150 337	11 436 797
Valuations		
Rateable Land and Buildings		
Aliwal Residential	1 303 787 375	1 170 581 400
Sectional Title	31 251 004	27 902 000
Jamestown	57 599 821	39 074 400
Dukathole	275 150 320	252 209 500
Aliwal Agricultural	1 034 793 381	528 984 870
Dordrecht Agricultural	740 524 000	373 703 500
Total Assessment Rates	3 443 105 901	2 392 455 670

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2014. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential - The first R15 000 on the valuation is exempted. On registered indigent households a rebate was approved up to a value of R65 000 per household. Further rebates were approved for agricultural properties that were phased in according to the Property Rates Act.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

23 PROPERTY RATES (CONTINUED)

Rebates on Income - Basic Rate:

Residential Properties	0.7372c/R	0.8482c/R
Commercial/Business and Industrial Properties	0.8846c/R	1.0761c/R
Public Service Infrastructure properties	0.1843c/R	0.2541c/R
Public Benefit Organisation Properties	0.0000c/R	0.0000c/R
Agricultural Properties used for agricultural purposes	0.1843c/R	0.2117c/R
Agricultural Properties used for Commercial/Industrial purposes	0.3686c/R	0.4247c/R
Agricultural Properties used for Hunting/Trading of Game	0.3686c/R	0.4247c/R
State Owned properties	0.7372c/R	0.8482c/R
Municipal Properties	0.0000c/R	0.0000c/R
Mining Properties	1.4744c/R	1.6964c/R
Vacant Properties	1.4744c/R	1.6964c/R

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

24 GOVERNMENT GRANTS AND SUBSIDIES

	2015 R	2014 R
Unconditional Grants	25 392 000	24 074 000
Equitable Share	25 392 000	24 074 000
Conditional Grants	13 306 372	14 689 618
Grants and Donations	13 306 372	14 689 618
Total Government Grants and Subsidies	38 698 372	38 763 618
Government Grants and Subsidies - Capital	7 138 989	8 413 960
Government Grants and Subsidies - Operating	31 559 383	30 349 658
Total Government Grants and Subsidies	38 698 372	38 763 618

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share	25 392 000	24 074 000
Executive & Council	277 938	119 000
Planning and Development	6 585	10 000
Budget and Treasury	3 515 010	3 844 439
Road Transport	6 560 867	9 322 811
Waste Management	-	-
Sport and Recreation	2 241 972	-
Community and Social Services	704 000	704 000
Electricity	-	689 368
Total Government Grants and Subsidies	38 698 372	38 763 618

The municipality does not expect any significant changes to the level of grants.

24.01 Equitable share

Opening balance	-	-
Grants received	24 296 000	24 074 000
Conditions met - Operating	(25 392 000)	(24 074 000)
Grants to be recovered	(1 096 000)	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

	2015 R	2014 R
24.02 Finance Management Grant (FMG)		
Opening balance	-	-
Grants received	1 800 000	1 650 000
Conditions met - Operating	(1 630 908)	(1 631 790)
Conditions met - Capital	-	(18 210)
Conditions still to be met	169 092	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

24.03 Municipal Systems Improvement Grant (MSIG)

Opening balance	-	-
Grants received	934 000	890 000
Conditions met - Operating	(795 400)	(780 129)
Conditions met - Capital	(138 600)	(109 871)
Conditions still to be met	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

24.04 Municipal Infrastructure Grant (MIG)

Opening balance	4 290 225	(851 664)
Grants received	12 029 000	14 526 000
Conditions met - Operating	(1 581 504)	(1 787 600)
Conditions met - Capital	(7 000 389)	(7 596 511)
Conditions still to be met	7 737 331	4 290 225

The grant was used to construct roads and storm water infrastructure, with the main focus on the historically disadvantaged areas.

24.05 Housing Grants

Opening balance	2 473 910	2 473 910
Conditions met - Operating	(155 610)	-
Conditions still to be met	2 318 300	2 473 910

Housing grants was utilised for the development of erven and the erection of top structures.

24.06 Integrated National Electrification Grant

Opening balance	-	61 749
Grants received	-	2 000 000
Paid Back to National Treasury	-	(1 144 000)
Conditions met - Operating	-	(228 382)
Conditions met - Capital	-	(689 368)
Grant expenditure to be recovered	-	-

The National Electrification Grant was used to upgrade the sub-station and electrification network.

24.07 Expanded Public Works Program (EPWP)

Opening balance	-	-
Grants received	1 201 000	1 000 000
Conditions met - Operating	(1 201 000)	(1 000 000)
Conditions still to be met	-	-

This program is aimed at providing poverty and income relief through the creation of temporary work opportunities.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)

	2015 R	2014 R
24.08 Other Grants		
Opening balance	933 363	933 363
Grants received	795 552	847 756
Conditions met - Operating	(802 961)	(847 756)
Conditions still to be met	<u>925 953</u>	<u>933 363</u>

Various grants were received from other spheres of government and includes for example the following:
Spatial Development Framework, Skills Development Grant, Ukhahlamba Library Equipment Fund etc.

24.09 Total Grants

Opening balance	7 697 500	2 617 361
Grants received	41 055 552	44 987 756
Paid Back to National Treasury	-	(1 144 000)
Conditions met - Operating	(31 559 383)	(30 349 658)
Conditions met - Capital	(7 138 989)	(8 413 960)
Conditions still to be met	<u>10 054 680</u>	<u>7 697 500</u>

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	11 150 680	7 697 500
Unpaid Government Grants and Receipts	(1 096 000)	-
	<u>10 054 680</u>	<u>7 697 500</u>

25 SERVICE CHARGES

Electricity	60 990 284	56 821 878
Refuse Removal	9 740 803	8 538 193
	70 731 087	65 360 071
Less: Rebates	(10 118 407)	(9 248 315)
Total Service Charges	<u>60 612 679</u>	<u>56 111 756</u>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

26 OTHER INCOME

Admission Fees	228 650	164 282
Sundry Income	465 681	640 764
Building Plan & Inspection Fees	97 292	103 987
Sale of Game	127 231	245 656
Electricity Re-Connection Fees	353 387	806 728
Cemetery Fees	177 302	173 863
Pound Fees	6 989	4 014
Joe Gqabi Municipality Debt Waiver	-	4 634 390
Total Other Income	<u>1 456 532</u>	<u>6 773 685</u>

Disclosed as:

Revenue from Non-exchange Transactions	-	4 634 390
Revenue from Exchange Transactions	1 456 532	2 139 294
Total Other Income	<u>1 456 532</u>	<u>6 773 685</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

27	FAIR VALUE ADJUSTMENTS	2015 R	2014 R
	Fair value changes in biological assets - Refer to note 17	(376 609)	383 709
	Total Fair Value Adjustments	(376 609)	383 709
28	EMPLOYEE RELATED COSTS		
	Employee Related Costs - Salaries and Wages	27 618 575	26 437 857
	Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	6 127 019	5 906 163
	Travel, Motor Car, Accommodation, Subsistence and Other Allowances	3 376 127	3 494 820
	Housing Benefits and Allowances	79 218	63 470
	Overtime Payments	568 338	490 235
	Bonuses	1 948 275	1 859 601
	Performance Bonuses	613 677	606 141
	Provision for leave	205 220	613 088
	Contribution for training	391 542	387 372
	Industrial Council Levy	17 411	16 605
	Provision for compensation for injuries on duty	305 902	437 209
	Long Service Awards	237 149	243 309
	Post Retirement Medical	567 520	504 093
	Total Employee Related Costs	42 055 972	41 059 964
	KEY MANAGEMENT PERSONNEL		
	Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	<i>Remuneration of the Municipal Manager - MP Nonjola</i>		
	Annual Remuneration	1 129 400	1 052 563
	Other Allowance	36 000	36 000
	Total	1 165 400	1 088 563
	<i>Remuneration of the Manager - Technical Services - TE Molefe</i>		
	Annual Remuneration	880 266	820 378
	Other Allowance	10 800	10 800
	Total	891 066	831 178
	<i>Remuneration of the Manager - Community and Social Services - NBB Mokhantso</i>		
	Annual Remuneration	738 454	711 792
	Other Allowance	10 800	10 800
	Total	749 254	722 592
	<i>Remuneration of the Manager - Corporate and Support Services - ZE Pungwani</i>		
	Annual Remuneration	808 278	753 288
	Other Allowance	10 800	10 800
	Total	819 078	764 088
	<i>Remuneration of the Manager - Financial Services - T Maseko</i>		
	Annual Remuneration	880 265	820 378
	Other Allowance	10 800	10 800
	Total	891 065	831 178
29	REMUNERATION OF COUNCILLORS		
	Councillors	2 839 918	2 686 019
	Travelling allowance	331 175	311 095
	Telephone allowance	293 616	293 616
	Total Councillors' Remuneration	3 464 708	3 290 731

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

29	REMUNERATION OF COUNCILLORS (CONTINUED)	2015 R	2014 R
	Remuneration per Councillor		
	Cllr N S Mathetha Mayor	697 231	659 151
	Cllr E S Mbana PR Councillor	283 482	268 607
	Cllr G D Fourie PR Councillor	226 297	214 873
	Cllr H du Preez PR Councillor	283 482	268 607
	Cllr M Jan PR Councillor	226 297	214 873
	Cllr MB Mtshingana PR Councillor	226 297	214 873
	Cllr KS Lange Ward 1 Councillor	226 297	214 873
	Cllr MW Mokhoabane Ward 2 Councillor	283 482	268 607
	Cllr ZE Betana Ward 3 Councillor	283 482	267 914
	Cllr P Williams Ward 4 Councillor	218 582	214 873
	Cllr M Mdimisa Ward 5 Councillor	283 482	268 607
	Cllr M Tsolanku Ward 6 Councillor	226 297	214 873
		3 464 708	3 290 731
		<hr/> <hr/>	<hr/> <hr/>
30	DEBT IMPAIRMENT		
	Trade Receivables from exchange transactions - Note 19	4 553 952	3 040 201
	Other Receivables from non-exchange transactions - Note 20	1 938 559	1 180 515
	Total Contribution to Impairment Provision	6 492 511	4 220 715
	VAT included in contribution for the year	(370 289)	(99 414)
	Total Debt impairment recognised in statement of financial performance	6 122 221	4 121 301
		<hr/> <hr/>	<hr/> <hr/>
31	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	11 670 856	11 505 705
	Investment Property	276 842	276 842
	Intangible Assets	110 896	114 384
	Total Depreciation and Amortisation	12 058 594	11 896 931
		<hr/> <hr/>	<hr/> <hr/>
32	IMPAIRMENTS		
	Landfill Sites	191 597	262 447
	Total Impairments	191 597	262 447
		<hr/> <hr/>	<hr/> <hr/>
33	REPAIRS AND MAINTENANCE		
	Land and Buildings	328 077	339 628
	Investment Property	48 893	-
	Tools and equipment	135 847	87 241
	Furniture and office equipment	123 981	124 809
	Vehicles and Implements	638 945	858 772
	Water Reticulation	-	6 800
	Streets and stormwater	1 517 976	1 781 791
	Landfill Site	95 069	127 883
	Electricity Reticulation	643 108	708 098
	Fencing	10 890	4 607
	Street Lights	138 860	69 878
	Other	5 707	17 525
	Total Repairs and Maintenance	3 687 353	4 127 032
		<hr/> <hr/>	<hr/> <hr/>
34	FINANCE CHARGES		
	DBSA loan	192 067	202 743
	Unamortised Discount - Interest (DBSA Loan)	134 942	133 790
	Hire Purchases	232 555	308 149
	Finance leases	165 535	238 114
	Overdraft Facilities	38	-
	Post Retirement Medical	1 003 541	888 166
	Long Service Awards	120 859	97 716
	Interest on Creditors	5 198 408	2 927 799
	Landfill Sites	183 042	156 976
	Total finance charges	7 230 986	4 953 452
		<hr/> <hr/>	<hr/> <hr/>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
35 BULK PURCHASES		
Electricity	47 763 006	45 015 920
Total Bulk Purchases	47 763 006	45 015 920
36 GRANTS AND SUBSIDIES PAID		
Indigent Subsidies	391 251	386 505
Total Grants and Subsidies Paid	391 251	386 505
37 OTHER OPERATING GRANT EXPENDITURE		
Expanded Public Works Program	1 201 000	1 000 000
Financial and Systems Management	2 113 748	1 896 823
Valuation Costs	27 328	1 168 912
Total Other Operating Grant Expenditure	3 342 076	4 065 735
38 GENERAL EXPENSES		
Advertisements	328 275	208 404
Audit Fees	3 784 579	3 602 857
Bank Charges and other related costs	227 242	615 671
Books, Publications and magazines	50 143	46 570
Cleaning Materials and Chemicals	128 961	100 485
Commission Prepaid Vendors	1 063 269	981 757
Electricity (Eskom)	223 427	230 137
Insurance	740 316	689 635
Integrated development planning	23 461	43 210
Legal Costs	75 747	147 956
License Fees	1 085 922	1 111 995
Local Government Activities	106 945	109 122
Membership Fees	446 762	461 913
Postage	128 129	134 093
Printing and Stationary	354 846	391 886
Professional Services	142 070	221 011
Projects from own funds	701 086	1 077 877
Protective Clothing	19 328	178 238
Security Services	1 121 193	1 041 986
Subsistence and Travelling	1 145 144	1 495 377
Telephone Charges	984 334	867 783
Training	972 006	1 197 345
Transport Costs	33 500	86 060
Vehicle: Fuel & Oil	1 223 877	1 400 251
Water Purchases	79 038	579 916
Other	1 049 903	468 641
Total General Expenses	16 239 502	17 490 178

39 PRIOR PERIOD ERRORS AND FIRST TIME ADOPTION OF IN TERMS OF GRAP 3

The following note sets to indicate the effect of both prior period errors which have been retrospectively adjusted against the individual components and changes due to the initial full adoption of GRAP 103 (Heritage Assets). GRAP 103 became effective during the 2012/2013 financial year. The municipality however opted to take advantage of the available Transitional Provision whereby a period of three years were granted to fully comply with the standard specifically relating to the measurement of Heritage Assets. This Transitional Provision expired on 30 June 2015 and all adjustments relating to the first time full adoption of GRAP 103 were done retrospectively.

	2014 R
39.01 Property Plant and Equipment (Excluding Capitalised Restoration Costs)	
Balance previously reported	208 135 060
First time recognition of assets previously not recognised - Refer to note 39.10	304 367
Effect on Office Equipment and Tools	280 137
Effect on Infrastructure - Other	24 230
Recognise depreciation up to 30 June 2013 on First Time Recognitions - Refer to 39.10	(146 129)
Effect on Office Equipment and Tools	(140 069)
Effect on Infrastructure - Other	(6 061)

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

39	PRIOR PERIOD ERRORS AND FIRST TIME ADOPTION OF IN TERMS OF GRAP 3 (CONTINUED)	2014 R
	Recognise depreciation for 2013/2014 on First Time Recognitions - Refer to 39.11	(29 225)
	Effect on Office Equipment and Tools	(28 014)
	Effect on Infrastructure - Other	(1 212)
	During the review of assets the municipality identified certain assets previously not recognised on 30 June 2008. The effect of depreciation up to 30 June 2014 is also disclosed.	
	Transfer of properties from Investment Properties - Refer to note 39.02	274 434
	Transfer of Cost from Investment Property (Land)	46 231
	Transfer of Cost from Investment Property (Buildings)	242 769
	Transfer of Accumulated Depreciation up to 30 June 2013	(12 138)
	Transfer of Depreciation during 2013/2014	(2 428)
	During the year, the municipality identified properties that were incorrectly included in Investment Properties. These properties were subsequently transferred to Property Plant and Equipment. The effect on depreciation were also corrected.	
	Transfer of properties to Heritage Assets (Land) - Refer to note 39.04	(389 000)
	During the year, the municipality identified properties that were incorrectly not transferred to Heritage assets in prior years.	
		<u>208 149 507</u>
39.02	Investment Property	
	Balance previously reported	49 931 264
	Transfer of properties to Heritage Assets	(1 776 772)
	Transfer of Cost to Heritage Assets - Refer to note 39.04	(1 864 000)
	Effect on Accumulated Depreciation up to 30 June 2013 - Refer to note 39.10	72 690
	Effect on Depreciation during 2013/2014 - Refer to note 39.11	14 538
	Transfer of properties to Property Plant and Equipment - Refer to note 39.01	(274 434)
	Transfer of Cost to Property Plant and Equipment	(289 000)
	Transfer of Accumulated Depreciation up to 30 June 2013	12 138
	Transfer of Depreciation during 2013/2014	2 428
	During the year, the municipality identified properties that were incorrectly included in Investment Properties. These properties were subsequently transferred to Property Plant and Equipment and Heritage Assets respectively. The effect on depreciation were also corrected.	
		<u>47 880 058</u>
39.03	Intangible Assets	
	Balance previously reported	303 386
	Correction of useful lives of intangible assets	11 723
	Effect up to 30 June 2013 - Refer to note 39.10	13 915
	Effect during 2013/2014 - Refer to note 39.11	(2 192)
	During the review of intangible assets, the municipality identified fully amortised assets that were still in use. The useful life of these assets were adjusted and the effect on amortisation up to 30 June 2014 is also disclosed.	
		<u>315 109</u>
39.04	Heritage Assets	
	Balance previously reported	-
	Transfer of properties from Investment Property - Refer to note 39.02	1 864 000
	Transfer of properties from Property Plant and Equipment - Refer to note 39.01	389 000
	During the year, the municipality identified properties that were incorrectly not transferred to Heritage assets in prior years.	
	Recognise Heritage Assets previously not recognised - Refer to note 39.10	68 543
	During the year the municipality identified Heritage assets previously not recognised on 30 June 2012	
		<u>2 321 543</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

39	PRIOR PERIOD ERRORS AND FIRST TIME ADOPTION OF IN TERMS OF GRAP 3 (CONTINUED)	2014 R
	39.05 Payables from Exchange Transactions	
	Balance previously reported	51 283 308
	Corrections of Payables incorrectly not recognised in previous years	354 314
	Effect up to 30 June 2013 - Refer to note 39.10	28 720
	Effect during 2013/2014 - Refer to note 39.11	325 594
	Corrections of Payables incorrectly recognised in previous years	(49 605)
	Effect up to 30 June 2013 - Refer to note 39.10	(41 671)
	Effect during 2013/2014 - Refer to note 39.11	(7 934)
	 The municipality identified various entries incorrectly not accrued/incorrectly accrued for on 30 June 2014. These corrections were subsequently corrected retrospectively.	
	 Corrections of Councillors Allowances Previously not accrued for	 295 093
	Effect up to 30 June 2013 - Refer to note 39.10	273 685
	Effect during 2013/2014 - Refer to note 39.11	21 408
	 The municipality incorrectly did not accrue for councillor remuneration where final approval were only given by the MEC during November 2014. The corrections were made retrospectively.	
		51 883 110
	39.06 Receivables from Exchange Transactions	
	Balance previously reported	8 456 471
	Corrections of Receivables incorrectly raised in previous years (Electricity)	(154 090)
	Effect up to 30 June 2013 - Refer to note 39.10	(7 990)
	Effect during 2013/2014 - Refer to note 39.11	(146 100)
	Corrections of Receivables incorrectly raised in previous years (Refuse)	37 664
	Effect up to 30 June 2013 - Refer to note 39.10	(8 808)
	Effect during 2013/2014 - Refer to note 39.11	46 472
	Corrections of Receivables incorrectly raised in previous years (Other Arrears)	8 517
	Effect up to 30 June 2013 - Refer to note 39.10	(16 303)
	Effect during 2013/2014 - Refer to note 39.11	24 820
	 During the review of receivables, the municipality identified various items where ratepayers and consumers were incorrectly levied. These items were corrected retrospectively.	
		8 348 562
	39.07 Receivables from Non-Exchange Transactions	
	Balance previously reported	2 436 628
	Corrections of Receivables incorrectly raised in previous years (Rates)	(20 164)
	Effect up to 30 June 2013 - Refer to note 39.10	(637)
	Effect during 2013/2014 - Refer to note 39.11	(19 527)
	 During the review of receivables, the municipality identified various items where ratepayers and consumers were incorrectly levied. These items were corrected retrospectively.	
		2 416 463
	39.08 Taxes	
	Balance previously reported	2 174 194
	Correction of VAT incorrectly not claimed during 2013/2014 - Refer to note 39.11	173
	 During the review of expenditure, the municipality identified payments where VAT were incorrectly not claimed.	
		2 174 367

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

39	PRIOR PERIOD ERRORS AND FIRST TIME ADOPTION OF IN TERMS OF GRAP 3 (CONTINUED)	2014 R
	39.09 Unspent Cconditional Government Grants and Receipts	
	Balance previously reported	4 666 779
	Unpaid Grants incorrectly recognised as a receivable	3 030 721
	Effect up to 30 June 2013 - Refer to note 39.10	765 863
	Effect during 2013/2014 - Refer to note 39.11	2 264 857
	The municipality identified grant expenditure relating to DEAT, Housing and INEG that were incorrectly recognised as a receivable	7 697 500
	39.10 Accumulated Surplus	
	Balance previously reported	194 693 551
	Prior Period Adjustments to Statement of Financial Performance - Refer to note 39.11	(2 714 967)
	First time recognition of assets previously not recognised - Refer to note 39.01	304 367
	Recognise depreciation up to 30 June 2012 on First Time Recognitions - Refer to 39.01	(146 129)
	During the review of assets the municipality identified certain assets previously not recognised on 30 June 2008. The effect of depreciation up to 30 June 2014 is also disclosed.	
	Correction of usefull lives of intangible assets - Refer to note 39.03	13 915
	During the review of intangible assets, the municipality identified fully amortised assets that were still in use. The useful life of these assets were adjusted and the effect on amortisation up to 30 June 2013 is disclosed.	
	Corrections of Payables incorrectly not recognised in previous years - Refer to note 39.05	(28 720)
	Corrections of Payables incorrectly recognised in previous years - Refer to note 39.05	41 671
	The municipality identified various entries incorrectly not accrued/incorrectly accrued for on 30 June 2014. These corrections were subsequently corrected retrospectively.	
	Transfer of Investment Properties to Heritage Assets - Effect on Accumulated Depreciation up to 30 June 2013 - Refer to note 39.02	72 690
	During the year, the municipality identified properties that were incorrectly included in Investment Properties. These properties were subsequently transferred to Heritage Assets and the effect on depreciation were also corrected.	
	Recognise Heritage Assets previously not recognised - Refer to note 39.04	68 543
	During the year the municipality identified Heritage assets previously not recognised on 30 June 2012	
	Corrections of Councillors Allowances Previously not accrued for - Refer to note 39.05	(273 685)
	The municipality incorrectly did not accrue for councillor remuneration where final approval were only given by the MEC during November 2014. The corrections were made retrospectively.	
	Corrections of Receivables incorrectly raised in previous years	(33 738)
	Receivables from Exchange Transactions - Refer to note 39.06	(33 101)
	Receivables from Non-Exchange Transactions - Refer to note 39.07	(637)
	During the review of receivables, the municipality identified various items where ratepayers and consumers were incorrectly levied. These items were corrected retrospectively.	
	Unpaid Grants incorrectly recognised as a receivable - Refer to note 39.09	(765 863)
	The municipality identified grant expenditure relating to DEAT, Housing and INEG that were incorrectly recognised as a receivable	
	Total Prior Period Adjustments on opening balance of Accumulated Surplus on 30 June 2013	(746 950)
		191 231 634

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

39	PRIOR PERIOD ERRORS AND FIRST TIME ADOPTION OF IN TERMS OF GRAP 3 (CONTINUED)	2014 R
	39.11 RECONCILIATION PRIOR YEAR SURPLUS FOR THE YEAR	
	Balance previously reported	(10 854 520)
	Recognise depreciation for 2013/2014 on First Time Recognitions - Refer to 39.01	(29 225)
	During the review of assets the municipality identified certain assets previously not recognised on 30 June 2008. The effect of depreciation during 2013/2014 is disclosed.	
	Correction of usefull lives of intangible assets - Refer to note 39.03	(2 192)
	During the review of intangible assets, the municipality identified fully amortised assets that were still in use. The useful life of these assets were adjusted and the effect on amortisation during 2013/2014 is disclosed.	
	Correction of grants and subsidies paid incorrectly included as part of revenue rebates	-
	Effect on Service Charges	386 505
	Effect on Grants and Subsidies Paid	(386 505)
	During the review of rebates, the municipality identified expenditure items incorrectly included as part of revenue rebates. These indigent support expenditure were subsequently reclassified to grants and subsidies paid.	
	Transfer of Investment Properties to Heritage Assets - Effect Depreciation during 2013/2014 - Refer to note 39.02	14 538
	During the year, the municipality identified properties that were incorrectly included in Investment Properties. These properties were subsequently transferred to Heritage Assets and the effect on depreciation were also corrected.	
	Corrections of Payables incorrectly not recognised in previous years - Refer to note 39.05	(325 594)
	Corrections of Payables incorrectly recognised in previous years - Refer to note 39.05	7 934
	Effect on Rental of Facilities and Equipment	(159)
	Effect on Other Income	(796)
	Effect on Repairs and Maintenance	(8 336)
	Effect on Finance Charges	(917)
	Effect on General Expenses	(307 452)
	The municipality identified various entries incorrectly not accrued/incorrectly accrued for on 30 June 2014. These corrections were subsequently corrected retrospectively.	
	Corrections of Councillors Allowances Previously not accrued for - Refer to note 39.05	(21 408)
	The municipality incorrectly did not accrue for councillor remuneration where final approval were only given by the MEC during November 2014. The corrections were made retrospectively.	
	Correction of receivables up to 30 June 2014 (Exchange) - Refer to note 39.06	(74 808)
	Correction of receivables up to 30 June 2014 (Non-Exchange) - Refer to note 39.07	(19 527)
	Effect on Property taxes	(18 379)
	Effect on Fines	1 447
	Effect on Service Charges	(96 157)
	Effect on Rental of Facilities and Equipment	23 374
	Effect on Interest Earned - outstanding debtors	(4 762)
	Effect on Other Income (Exchange)	142
	During the review of receivables, the municipality identified various items where ratepayers and consumers were incorrectly levied. These items were corrected retrospectively.	
	Correction of VAT incorrectly not claimed during 2013/2014 (General Expenses) - Refer to note 39.07	173
	During the review of expenditure, the municipality identified payments where VAT were incorrectly not claimed.	
	Unpaid Grants incorrectly recognised as a receivable - Refer to note 39.09	(2 264 857)
	Effect on Government Grants and Subsidies - Capital	(2 115 155)
	Effect on Government Grants and Subsidies - Operating	(149 702)
	The municipality identified grant expenditure relating to DEAT, Housing and INEG that were incorrectly recognised as a receivable	
		<u>(13 569 487)</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

39 PRIOR PERIOD ERRORS AND FIRST TIME ADOPTION OF IN TERMS OF GRAP 3 (CONTINUED)

2014
R

39.12 FINANCIAL INSTRUMENTS

The municipality incorrectly disclosed the following provision for rehabilitation as part of the financial instruments disclosure in note 49.

Provision for Rehabilitation of Landfill-sites

3 887 711

The provision does not meet the definition of a financial instrument as there are no counterparty with the right to receive any benefits from the provision at year-end.

40 RECONCILIATION BETWEEN NET DEFICIT FOR THE YEAR AND CASH GENERATED BY

	2015 R	2014 R
Deficit for the year from continued operations	(21 537 516)	(13 569 487)
Adjustments for:		
Depreciation and Amortisation	12 058 594	11 896 931
Gain on disposal of property, plant and equipment	(392 609)	(170 352)
Loss on disposal of property, plant and equipment	362 285	607 510
Impairments	191 597	262 447
Contribution to employee benefits - non-current	1 929 069	1 733 284
Expenditure incurred - Employee Benefits	(437 592)	(467 643)
Actuarial losses	-	48 482
Actuarial gains	(2 349 666)	(93 118)
Contribution to - Current Employee Benefits	2 767 171	3 078 830
Contribution to employee benefits – current - expenditure incurred	(2 787 304)	(2 357 667)
Contribution to - Current Provisions	335 792	471 419
Contribution to Current Provisions - expenditure incurred	(358 063)	(726 483)
Contribution to provisions – non current	183 042	156 976
Bad debts	(2 953 240)	(3 065 520)
Contribution to provisions – bad debt	6 122 221	4 121 301
Fair Value Adjustments	376 609	(383 709)
Unamortised discount - Interest - Expenditure	134 942	133 790
Grants received	41 055 552	44 987 756
Grant expenditure incurred	(38 698 372)	(38 763 618)
Grants paid back to National Treasury	-	(1 144 000)
Operating Surplus before changes in working capital	(3 997 487)	6 757 128
Changes in working capital	18 738 430	13 305 520
Increase in Payables from exchange transactions	24 783 329	17 857 352
Increase in Taxes Receivable	(3 078 430)	(1 331 863)
Decrease in Inventory	87 876	175 170
Increase in Receivables from exchange and non-exchange transactions	(3 054 345)	(3 395 140)
Cash generated by operations	14 740 943	20 062 647

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

41 RECONCILIATION OF CASH FLOW STATEMENT

Due to various retrospective adjustments made on the comparative figures for the year ending 30 June 2014 as disclosed in notes 39 and , the comparative figures as disclosed in the Cash Flow Statement were also affected.

The comparative figures were adjusted as follows:

	2014 (Previously reported) R	2014 (Adjustments) R	2014 (Restated) R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other	74 199 053	390 139	74 589 192
Government	44 987 756	-	44 987 756
Interest	824 951	(4 762)	820 188
Payments			
Suppliers	(56 045 251)	2 045	(56 043 206)
Employees	(40 227 973)	-	(40 227 973)
Finance charges	(3 675 888)	(917)	(3 676 805)
Transfers and Grants	-	(386 505)	(386 505)
Cash generated by operations	20 062 648	-	20 062 648
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	(11 059 229)	-	(11 059 229)
Proceeds on Disposal of Fixed Assets	260 986	-	260 986
Increase in Intangible Assets	(64 458)	-	(64 458)
Increase in Non-current Investments	(38 001)	-	(38 001)
Net Cash from Investing Activities	(10 900 702)	-	(10 900 702)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid	(1 553 537)	-	(1 553 537)
Increase in Consumer Deposits	173 078	-	173 078
Net Cash from Financing Activities	(1 380 459)	-	(1 380 459)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7 781 488	-	7 781 488
Cash and Cash Equivalents at the beginning of the year	1 113 993	-	1 113 993
Cash and Cash Equivalents at the end of the year	8 895 481	-	8 895 481
NET INCREASE IN CASH AND CASH EQUIVALENTS	7 781 488	-	7 781 488
PURCHASE OF PROPERTY PLANT AND EQUIPMENT			
Total Additions per note 12.1		8 680 589	11 163 660
Less: Hire Purchases and capitalised lease agreements entered into		-	(104 431)
		8 680 589	11 059 229

42 CASH AND CASH EQUIVALENTS

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

Call Investments Deposits - Note 22	12 494 424	8 082 369
Cash Floats - Note 22	4 052	3 802
Bank - Note 22	1 007 261	809 309
Total cash and cash equivalents	13 505 738	8 895 481

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

43 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

	2015 R	2014 R
Cash and Cash Equivalents - Note 42	13 505 738	8 895 481
Investments - Note 16	780 905	740 904
	<u>14 286 642</u>	<u>9 636 384</u>
Less:	13 307 135	9 345 982
Unspent Committed Conditional Grants - Note 10	11 150 680	7 697 500
Secured Investments and cash	2 156 455	1 648 481
Resources available for working capital requirements	<u><u>979 507</u></u>	<u><u>290 402</u></u>

44 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

	2015 R	2014 R
Long-term Liabilities - Note 3	6 232 690	7 896 514
Used to finance property, plant and equipment - at cost	<u>(6 232 690)</u>	<u>(7 896 514)</u>
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	<u><u>-</u></u>	<u><u>-</u></u>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of 5% and will be fully redeemed on 30 September 2027.

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

45.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	17 892 556	40 606 369
Unauthorised expenditure current year - capital	432 669	176 053
Unauthorised expenditure current year - operating	15 089 170	17 716 504
Approved by Council or condoned	<u>(16 129 007)</u>	<u>(40 606 369)</u>
Unauthorised expenditure awaiting authorisation	<u><u>17 285 388</u></u>	<u><u>17 892 556</u></u>

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	Variance analysis was performed and submitted to Council to condone.

	2015 R	2015 R	2015 R	2015 R
Operating expenditure by Vote	(Actual)	(Budget)	(Variance)	(Unauthorised)
Executive & Council	15 210 814	17 168 710	(1 957 896)	-
Planning and Development	1 376 271	1 830 200	(453 929)	-
Budget and Treasury	34 160 052	25 830 950	8 329 102	8 329 102
Public Safety	3 592 452	4 052 480	(460 028)	-
Road Transport	13 883 898	10 495 970	3 387 928	3 387 928
Other	475 102	155 120	319 982	319 982
Waste Management	10 254 611	10 602 030	(347 419)	-
Sport and Recreation	2 858 405	3 255 560	(397 155)	-
Community and Social Services	3 290 266	3 638 800	(348 534)	-
Housing	1 741 678	1 657 660	84 018	84 018
Electricity	56 442 611	53 474 470	2 968 141	2 968 141
	<u><u>143 286 160</u></u>	<u><u>132 161 950</u></u>	<u><u>11 124 210</u></u>	<u><u>15 089 170</u></u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUED)

Capital expenditure by vote	2015 R (Actual)	2015 R (Budget)	2015 R (Variance)	2015 R (Unauthorised)
Executive & Council	13 127	435 000	(421 873)	-
Budget and Treasury	248 292	620 000	(371 708)	-
Public Safety	11 560	420 000	(408 440)	-
Road Transport	4 270 122	5 220 000	(949 878)	-
Waste Management	265 622	55 000	210 622	210 622
Sport and Recreation	2 480 128	9 084 290	(6 604 162)	-
Community and Social Services	17 543	50 000	(32 457)	-
Housing	1 921	20 000	(18 079)	-
Electricity	1 638 727	1 416 680	222 047	222 047
	8 947 041	17 320 970	(8 373 929)	432 669

45.2 **Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure:

Opening balance	2 962 162	1 602 971
Fruitless and wasteful expenditure current year	5 280 150	2 962 008
Condoned or written off by Council	(2 771 795)	(1 602 818)
Fruitless and wasteful expenditure awaiting condonement	5 470 517	2 962 162

Incident	Disciplinary steps/criminal proceedings	2015 R	2014 R
<i>Interest paid on late payment - Refer to note 34</i>	<i>Council was informed on circumstances leading to the interest charges on late payment to condone.</i>	5 198 446	2 927 799
<i>Penalties incurred (Workmens Compensation) - Refer to note 8</i>	<i>Application was made to the Compensation Commissioner on new assessment</i>	29 890	34 209
<i>Penalties incurred (South African Revenue Services)</i>	<i>None</i>	51 814	-
		5 280 150	2 962 008

45.3 **Irregular expenditure**

Reconciliation of irregular expenditure:

Opening balance	5 160	13 087 812
Irregular expenditure current year	798 850	5 160
Approved or written off by Council	(5 160)	(13 087 812)
Irregular expenditure awaiting approval from Council	798 850	5 160

Incident	Corrective Measures	2015 R	2014 R
<i>Non-Compliance with Supply Chain:</i>			
<i>Tax Matters not in order:</i>	<i>Local suppliers has been informed and requested to submit tax clearance certificate on submission of quotations and annually after expiry of the tax clearance certificate. Municipality will not consider suppliers with no tax clearance certificate.</i>	798 850	5 160
		798 850	5 160

45.4 **Material Losses**

Electricity distribution losses

Units purchased (Kwh)	64 480 610	65 824 150
Units sold (Kwh)	59 639 387	61 686 265
Units lost during distribution (Kwh)	4 841 223	4 137 885
Percentage lost during distribution	7.51%	6.29%
Loss in Rand Value	2 221 777	1 316 981

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

46	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2015 R	2014 R
46.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Council subscriptions	433 300	410 301
	Amount paid - current year	(433 300)	(410 301)
	Closing balance	-	-
46.2	<u>Audit fees - [MFMA 125 (1)(c)]</u>		
	Opening balance	-	536 427
	Current year audit fee	3 784 579	3 461 621
	External Audit - Auditor-General	3 721 990	3 145 320
	Internal Audit	1 415	247 515
	Audit Committee	61 175	68 786
	Amount paid - current year	(2 508 146)	(3 998 048)
	Balance unpaid (included in creditors)	1 276 433	-
46.3	<u>VAT - [MFMA 125 (1)(c)]</u>		
	Opening balance	(269 710)	251 701
	Amounts received - current year	(1 204 569)	(1 305 090)
	Amounts received - previous year	-	(296 660)
	Amounts paid - current year	2 938 989	1 110 656
	Amounts paid - previous year	44 307	44 959
	Amounts claimed - current year	1 204 569	1 079 687
	Amounts payable - current year	(3 024 797)	(1 154 963)
	Closing balance	(311 210)	(269 710)
	Vat in suspense due to cash basis of accounting	5 338 605	2 218 674
	VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
	All VAT returns have been submitted by the due date throughout the year.		
	Refer to note 11 for further disclosure regarding the balances receivable from and payable to SARS		
46.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u>		
	Opening Balance	-	384 143
	Current year payroll deductions and Council Contributions	5 342 464	4 806 297
	Amount paid - current year	(4 889 686)	(5 190 440)
	Balance unpaid (included in creditors)	452 778	-
46.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>		
	Opening balance	-	698 469
	Current year payroll deductions and Council Contributions	9 608 505	9 162 722
	Amount paid - current year	(9 608 505)	(9 861 191)
	Balance unpaid (included in creditors)	-	-
46.6	<u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>		
	The following Councillors had arrear accounts for more than 90 days during the financial year and on 30 June 2015:		
	None		

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

2015 R 2014 R

46.7 Supply Chain Management Regulations Deviations

During the year under review the municipality procured goods and services in accordance with the requirements of the supply chain management policy and all deviations from the policy and its related regulations were noted and condoned by council.

The non-compliance noted and condoned by council were as follows:

Impractical to follow SCM process	1 239 020	1 663 478
Emergency	44 255	108 792
Single Provider	211 413	-
Total	1 494 688	1 772 270

46.8 Other Non-Compliance

The municipality did not comply with section 65 (2) (e) of the MFMA. All reasonable steps to ensure, that all money owing by the municipality be paid within 30 days (except Eskom) of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure, was not taken.

46.9 Trading with employees in service of the state (SCM 44)

During the year under review, the municipality engaged with the following employees in service of the state.

P Bushula (Director: Development and Town Planning Services at Senqu Municipality)	Zoleka Estate: Construction	-	379 186
J Niehaus (Department of Health)	Mubesko Africa CC	543 355	638 162
		543 355	1 017 348

47 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure	17 856 029	7 097 468
	17 856 029	7 097 468

Total

17 856 029 7 097 468

This expenditure will be financed from:

Government Grants	17 856 029	7 097 468
	17 856 029	7 097 468

48 FINANCIAL RISK MANAGEMENT

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

(a) **Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

(b) **Price risk**

The municipality is not exposed to price risk.

(c) **Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2015 R	2014 R
1% (2014 - 1%) Increase in interest rates	75 306	31 793
0% (2014 - 0%) Decrease in interest rates	-	-

The South African Economy is currently in an upward interest rate cycle and there are no expectation for a decrease in interest rates on 30 June 2015 for the ensuing year.

(d) Credit Risk

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

Credit risk consist mainly of cash deposits, cash equivalents, receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All services are payable within 30 days from invoice date. Refer to note 19 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

	2015 R	2014 R
Balances past due not impaired are as follows:		
Rates	609 951	570 664
Electricity	373 002	973 073
Refuse	746 486	716 545
Other	267 160	328 656
	<u>1 996 598</u>	<u>2 588 937</u>

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables, the carrying value disclosed in note 19 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The entity only deposits cash with major banks with high quality credit standing. The banks utilised by the municipality are all listed on the JSE. The credit quality of these institutions are evaluated based on their required Securities Exchange News Services (SENS) releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

No restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there is no expectation of counter party default.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

48

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Receivables (Exchange and Non-Exchange)	9 247 900	9 400 015
Cash and Cash Equivalents	13 505 738	8 895 481
Non-Current Investments	780 905	740 904
	<u>23 534 542</u>	<u>19 036 400</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under 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 on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end 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.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2015				
Long Term liabilities - Annuity Loans	405 559	1 622 236	2 027 795	1 011 827
Capital repayments	221 538	1 004 131	1 568 960	940 211
Interest	184 021	618 106	458 835	71 616
Long Term liabilities - Finance Leases	699 243	-	-	-
Capital repayments	638 950	-	-	-
Interest	60 293	-	-	-
Long Term liabilities - Hire Purchases	990 088	1 112 431	-	-
Capital repayments	839 809	1 019 091	-	-
Interest	150 280	93 340	-	-
Provisions - Landfill Sites	-	-	4 091 916	3 162 498
Capital repayments	-	-	2 717 377	1 544 972
Interest	-	-	1 374 539	1 617 525
Trade and Other Payables	74 119 974	-	-	-
Unspent conditional government grants and receipts	11 150 680	-	-	-
	<u>87 365 544</u>	<u>2 734 667</u>	<u>6 119 712</u>	<u>4 174 324</u>

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2014				
Long Term liabilities - Annuity Loans	405 559	1 622 236	2 027 795	1 417 386
Capital repayments	210 863	955 746	1 493 359	1 285 735
Interest	194 696	666 490	534 437	131 651
Long Term liabilities - Finance Leases	729 048	697 822	-	-
Capital repayments	565 536	638 348	-	-
Interest	163 512	59 474	-	-
Long Term liabilities - Hire Purchases	1 122 768	2 094 193	-	-
Capital repayments	889 936	1 856 991	-	-
Interest	232 832	237 202	-	-
Provisions - Landfill Sites	-	-	3 943 446	2 797 677
Capital repayments	-	-	2 541 980	1 345 731
Interest	-	-	1 401 465	1 451 947
Trade and Other Payables	50 286 706	-	-	-
Unspent conditional government grants and receipts	7 697 500	-	-	-
	<u>60 241 582</u>	<u>4 414 251</u>	<u>5 971 241</u>	<u>4 215 063</u>

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

49 FINANCIAL INSTRUMENTS

2015
R

2014
R

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

49.1	<u>Financial Assets</u>	<u>Classification</u>		
	Investments			
	Fixed Deposits	At Amortised cost	780 905	740 904
	Consumer Debtors			
	Receivables from exchange transactions	At Amortised cost	8 590 155	8 348 562
	Receivables from non-exchange transactions	At Amortised cost	657 745	1 051 453
	Short-term Investment Deposits			
	Call Deposits	At Amortised cost	12 494 424	8 082 369
	Bank Balances and Cash			
	Bank Balances	At Amortised cost	1 007 261	809 309
	Cash Floats and Advances	At Amortised cost	4 052	3 802
			23 534 542	19 036 400
	SUMMARY OF FINANCIAL ASSETS			
	At Amortised cost		23 534 542	19 036 400

49.2	<u>Financial Liability</u>	<u>Classification</u>		
	Long-term Liabilities and provisions			
	Annuity Loans	At amortised cost	2 268 101	2 354 698
	Hire Purchase	At amortised cost	1 019 091	1 856 991
	Capitalised Lease Liability	At amortised cost	-	638 348
	Payables from Exchange transactions			
	Trade creditors	At amortised cost	62 757 859	35 028 369
	Accrued Interest	At amortised cost	59 312	67 697
	Joe Gqabi District Municipality	At amortised cost	6 968 798	11 278 550
	Other Creditors	At amortised cost	1 811 455	795 241
	Deposits: Other	At amortised cost	360 776	244 840
	Current Portion of Long-term Liabilities			
	Annuity Loans	At amortised cost	221 538	210 863
	Hire Purchase	At amortised cost	839 809	889 936
	Capitalised Lease Liability	At amortised cost	638 950	565 536
			76 945 689	53 931 069
	SUMMARY OF FINANCIAL LIABILITY			
	At amortised cost		76 945 689	53 931 069

50 EVENTS AFTER THE REPORTING DATE

MUNICIPAL BOUNDARIES OF MALETSWAI AND GARIEP MUNICIPALITIES

The Minister of Co-operative Governance and Traditional Affairs has requested the Municipal Demarcation Board to re-determine the boundaries of Maletswai and Gariiep Municipalities as per section 122 of the Local Government Municipal Demarcation Board.

The Municipal Demarcation Board have notified the public of its intention to re-determine the municipal boundaries and invited written representations and views in terms of section 26 of the Local Government Municipal Demarcation Board Act, (MDA) 1998. Public meetings in all affected areas have been held in terms section 28 of the MDA and the Board has published the section notices inviting objections after which the boundary determinations will take effect in terms of section 23 notice of MDA. On 30 June 2015 the Municipal Demarcation Board had not yet gazetted the outcome of the Section 23 notice, however both municipalities have a passed a resolution in favour of the amalgamation.

The Member of the Executive Council (MEC) responsible for Co-operative Governance and Traditional Affairs in the Eastern Cape Province is yet to make provisions for transitional measures to facilitate the de-establishment of the existing municipalities and the establishment of a new municipality, in terms of section 14(5) of the Local Government Municipal Structures Act, 1998.

MALETSWAI LOCAL MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

51 IN-KIND DONATIONS AND ASSISTANCE

The municipality received donated assets to the value of R 50 815 (2014 - R 0) during the year under review.

52 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

53 CONTINGENT LIABILITY

	2015 R	2014 R
Total contingent liabilities	<u>100 000</u>	<u>135 000</u>
Aliwal North Buffels Rugby Club: The claimants suffered loss of equipment at the Rugby Club during the period that the Municipality was initiating renovations to the property. The claimants did not have insurance over their equipment and are now claiming for the value of the equipment from the Municipality.	-	35 000
The outflow of the future economic benefits will be confirmed by the outcome of the court ruling, an event that will occur subsequent to year end over which the municipality has no control.		
The municipality is not expecting any re-imbursement on the damages made against it and no contingent asset has been recognised.		
Matthews Mbobo, Amanda Mbobo and Playlink Singers - Claims of R100 000 from the municipality made on 29 May 2014 regarding the special and general damages suffered by the claimant for economic loss incurred in making 800 tickets which were sold in advance, advertising, making beamers and posters, making tickets, possible profit, possible selling of CDs and DVDs, booking, rental and deposit paid, inconvenience, humiliation, impairment of dignity and reputation resulting from an erroneous allocation or booking of the same venue to two different events at the same time. Adequate notice for cancellation was not given to the claimant for alternative arrangements. The municipality has opted to defend the case.	100 000	100 000
The outflow of the future economic benefits will be confirmed by the outcome of the court ruling, an event that will occur subsequent to year end over which the municipality has no control.		
The municipality is not expecting any re-imbursement on the damages made against it and no contingent asset has been recognised.		
	<u>100 000</u>	<u>135 000</u>

54 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

54.1 Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

54.2 Other related party transactions

The following councillors were members of entities which was listed on the approved supplier database

None

The municipality engaged with the following related entities:

BJ Vorster (Heinrich Vorster (child) employed by entity):		
Assistant Manager: Financial Services	Gariep Technologies	-
		21 210
		<u>-</u>
		<u>21 210</u>

Other related parties transactions relates to the acquisition of goods under terms and conditions applicable to open market trading on a willing buyer and seller principles. The payment terms are not favourable to other transactions (other related parties) and are not secured or encumbered. Settlement terms are in accordance with the general terms of trade with no guarantees received or given. The provision for doubtful debts is not made as the municipality is not owed by the supplier and no bad debts expense was recognised on these related parties.

The municipality engaged with related entities in service of the state (SCM 44) - Refer to note 46.9

54 **RELATED PARTIES (CONTINUED)**

The Municipal Manager of the Maletswai Local Municipality is a non-executive director of Joe Gqabi Development Agency representing council as an ex-officio member.

Maletswai Local Municipality provides a site in Obbiebron Flats to Joe Gqabi Development Agency at no cost to the entity.

55 **FINANCIAL SUSTAINABILITY**

The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:

Financial Indicators

The current liabilities at year end exceeded the current assets and this could result in the municipality being unable to settle all of its liabilities.

Management will continue to put measures in place to ensure that municipal current assets are in excess of the current liabilities. Expenditure patterns and budget control measures will be enforced to reduce the expenditure that lead to an increase in current liabilities.

The number of days it takes to collect money from consumer debtors has increased from the prior year and this has placed constraints on the cash flow resulting in delays in settling the creditors.

Although the debtors' collection period has increased compared to prior year, management has continued to enforce the credit control measures through electricity disconnections, prepaid blockages and handover of long outstanding debts to attorneys.

The municipality experienced material losses in electricity usage to the value of R2 221 777 (2014 - R 1 316 981). This represents a loss of 7.51% (2014 - 6.29%).

Operating Indicators

No capital grant funds were utilised for operations in the 2013/2014 and 2014/2015 financial year.

A significant increase is noted in the amount of payables outstanding at year-end R 24 783 329 (2014 - R 17 857 353). This increase can mainly be attributed to Eskom and Joe Gqabi District Municipality.

Other Indicators

The municipality has incurred unauthorised, irregular and fruitless & wasteful expenditure as shown in note 45 above.

APPENDIX A - Unaudited
MALETSWAI LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2014	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2015
ANNUITY LOANS							
DBSA	5.00%	102312 Maletswai Roads Network (TIP)	30/09/2027	3 945 703	-	210 863	3 734 840
Total Annuity Loans				3 945 703	-	210 863	3 734 840
HIRE PURCHASES							
ABSA (Telephone system)	10.25%	70836411	01/11/2014	63 482	-	63 482	-
ABSA (TATA Truck)	10.25%	81205030	05/08/2016	220 114	-	99 841	120 273
ABSA (Isuzu KB200I LWB)	10.25%	80693198	15/02/2016	56 907	-	32 981	23 926
ABSA (2011 Rear Tipping Trailor)	10.25%	80693759	15/02/2016	29 814	-	17 279	12 535
ABSA (2010 Vibrating Roller)	10.25%	80693899	15/02/2016	53 367	-	30 929	22 438
ABSA (Isuzu KB200I Fleetside)	10.25%	80698530	15/02/2016	72 503	-	42 019	30 483
ABSA (Sonalinka Tractor)	10.25%	80701808	15/02/2016	81 605	-	47 294	34 310
ABSA (Mazda CX 7)	10.25%	80993701	01/05/2016	158 236	-	78 705	79 532
ABSA (TATA Water Truck)	10.25%	83338631	15/12/2017	598 241	-	149 799	448 442
ABSA (Nissan UD 330)	10.25%	83577440	01/03/2018	1 280 632	-	295 259	985 373
ABSA (Isuzu KB 200I)	10.25%	83520421	01/03/2018	132 027	-	30 440	101 587
Total Hire Purchases				2 746 927	-	888 027	1 858 900
LEASE LIABILITY							
MTN Rental	17.82%		31/12/2015	81 678	-	52 012	29 666
NRG Rental	17.34%		30/06/2016	1 122 207	-	512 922	609 284
Total Lease Liabilities				1 203 884	-	564 934	638 950
TOTAL EXTERNAL LOANS				7 896 514	-	1 663 825	6 232 690

APPENDIX B - Unaudited
MALETSWAI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
MUNICIPAL VOTES CLASSIFICATION

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
6 636 390	(12 491 361)	(5 854 971)	Council	2 468 254	(11 844 351)	(9 376 097)
-	(3 106 513)	(3 106 513)	Municipal Manager	-	(3 366 463)	(3 366 463)
-	(464 000)	(464 000)	Integrated Development Planning	-	(359 957)	(359 957)
-	(420 555)	(420 555)	Special Program Unit	-	(493 381)	(493 381)
136 956	(8 025 806)	(7 888 849)	Corporate Services	642 464	(8 417 095)	(7 774 631)
-	(1 553)	(1 553)	Occupational Health & Safety	-	(8 220)	(8 220)
3 896 607	(3 777 120)	119 487	Traffic	3 691 566	(3 592 452)	99 114
11 639	(71 104)	(59 465)	Aerodrome	13 365	(77 824)	(64 460)
175 625	(10 751)	164 873	Commonage	257 899	(3 390)	254 509
30 449 332	(20 546 060)	9 903 272	Financial Services	30 335 572	(23 304 699)	7 030 873
11 436 797	-	11 436 797	Assessment Rates	11 150 337	-	11 150 337
246	(1 753 801)	(1 753 555)	Technical Services	1 548	(1 251 235)	(1 249 686)
1 793 076	(2 507 579)	(714 503)	Administration and Land Affairs	1 720 518	(2 430 038)	(709 520)
9 371 247	(12 441 073)	(3 069 826)	Public Works	6 596 132	(12 632 663)	(6 036 531)
4 382 593	(6 584 386)	(2 201 794)	Refuse Removal	5 160 943	(6 827 726)	(1 666 782)
912	(3 371 336)	(3 370 424)	Parks and Public Places	2 293	(3 426 886)	(3 424 593)
-	(19)	(19)	Cleansing	-	-	-
-	(1 767 569)	(1 767 569)	Community Services	50 815	(1 767 231)	(1 716 416)
10 000	(498 077)	(488 077)	Local Economic Development	6 585	(522 933)	(516 347)
173 863	(8 048)	165 815	Cemetery	177 302	(4 781)	172 522
19 781	(23 275)	(3 494)	Sport Grounds	2 254 796	(28 170)	2 226 626
709 697	(1 208 222)	(498 526)	Libraries	708 298	(1 422 501)	(714 203)
388 662	(3 049 012)	(2 660 350)	Aliwal Spa	319 512	(2 830 235)	(2 510 722)
203 167	(95 038)	108 130	Conference Centre	119 201	(94 016)	25 184
636 751	(29 169)	607 582	Nature Reserve	133 583	(393 888)	(260 305)
-	(1 617)	(1 617)	Museum	-	(1 737)	(1 737)
-	(1 461 711)	(1 461 711)	Housing	-	(1 741 678)	(1 741 678)
53 323 358	(53 611 430)	(288 072)	Electricity	55 937 659	(56 442 611)	(504 952)
123 756 700	(137 326 187)	(13 569 487)	Total	121 748 643	(143 286 160)	(21 537 516)

APPENDIX C - Unaudited
MALETSWAI LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R		2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R
6 636 390	(15 597 874)	(8 961 484)	Executive & Council	2 468 254	(15 210 814)	(12 742 560)
10 000	(1 382 633)	(1 372 633)	Planning and Development	6 585	(1 376 271)	(1 369 686)
43 816 162	(31 080 997)	12 735 165	Budget and Treasury	43 848 891	(34 160 052)	9 688 840
3 896 607	(3 777 120)	119 487	Public Safety	3 691 566	(3 592 452)	99 114
9 371 493	(14 194 874)	(4 823 381)	Road Transport	6 597 681	(13 883 898)	(7 286 217)
824 015	(111 025)	712 990	Other	404 847	(475 102)	(70 255)
4 383 505	(9 955 742)	(5 572 237)	Waste Management	5 163 236	(10 254 611)	(5 091 375)
408 443	(3 072 287)	(2 663 844)	Sport and Recreation	2 574 309	(2 858 405)	(284 096)
1 086 727	(3 080 493)	(1 993 766)	Community and Social Services	1 055 616	(3 290 266)	(2 234 650)
-	(1 461 711)	(1 461 711)	Housing	-	(1 741 678)	(1 741 678)
53 323 358	(53 611 430)	(288 072)	Electricity	55 937 659	(56 442 611)	(504 952)
123 756 700	(137 326 187)	(13 569 487)	Total	121 748 643	(143 286 160)	(21 537 516)

APPENDIX D - Unaudited

MALETSWAI LOCAL MUNICIPALITY

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2015

Grant Description	Balance 1 JULY 2014	Correction of error	Restated balance 1 JULY 2014	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2015
	R	R	R	R	R	R	R
GOVERNMENT GRANTS AND RECEIPTS							
<u>National Government Grants</u>							
Equitable Share	-	-	-	24 296 000	25 392 000	-	(1 096 000)
Skills Development Grant	-	-	-	91 552	91 552	-	-
Finance Management Act.	-	-	-	1 800 000	1 630 908	-	169 092
MSIG Funds	-	-	-	934 000	795 400	138 600	-
MIG Funds	4 290 225	-	4 290 225	12 029 000	1 581 504	7 000 389	7 737 331
DME Electricity Reticulation Fund	(1 120 341)	1 120 340	-	-	-	-	-
Expanded Public Works Program	-	-	-	1 201 000	1 201 000	-	-
	3 169 884	1 120 340	4 290 225	40 351 552	30 692 364	7 138 989	6 810 424
<u>Provincial Government Grants</u>							
Spatial Development Plan	361 000	-	361 000	-	-	-	361 000
1218 Link Houses	271 617	-	271 617	-	-	-	271 617
330 Houses	168 331	-	168 331	-	-	-	168 331
Area 5 Services	63 514	-	63 514	-	-	-	63 514
Hilton 89 Houses	6 746	-	6 746	-	-	-	6 746
Area 13 - Fund	254 064	-	254 064	-	155 610	-	98 454
Aliwal Noord 100 Houses Fund	(251 439)	251 439	-	-	-	-	-
318 Houses Jamestown	373 367	-	373 367	-	-	-	373 367
Jamestown 858 Houses Planning	6 090	-	6 090	-	-	-	6 090
Jamestown 858 Houses	639 778	-	639 778	-	-	-	639 778
838 Wonings Fonds	690 403	-	690 403	-	-	-	690 403
DEAT - Waste Recycling Project	(1 658 941)	1 658 941	-	-	-	-	-
Land Survey Management	467 500	-	467 500	-	-	-	467 500
LED Garden Project Jamestown	104 863	-	104 863	-	7 410	-	97 454
Library Grant	-	-	-	704 000	704 000	-	-
	1 496 894	1 910 380	3 407 274	704 000	867 020	-	3 244 254
Total	4 666 779	3 030 720	7 697 500	41 055 552	31 559 383	7 138 989	10 054 680

**APPENDIX E (1) - Unaudited
MALETSWAI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)**

Description	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue - Standard								
<i>Governance and administration</i>	46 523	520	47 043	46 317	(726)	98.5%	99.6%	50 453
Executive & council	2 448	200	2 648	2 468	(180)	93.2%	100.8%	6 636
Budget and treasury	41 402	466	41 868	43 849	1 981	104.7%	105.9%	43 816
Corporate services	2 674	(146)	2 527	-	(2 527)	-	-	-
<i>Community and public safety</i>	7 063	7 871	14 934	7 321	(7 612)	49.0%	103.7%	5 392
Community and social services	1 183	(11)	1 172	1 056	(116)	90.1%	89.3%	1 087
Sport and recreation	402	9 085	9 487	2 574	(6 913)	27.1%	641.1%	408
Public safety	5 479	(1 204)	4 275	3 692	(583)	86.4%	67.4%	3 897
<i>Economic and environmental services</i>	11 918	(4 926)	6 992	6 604	(388)	94.5%	55.4%	9 381
Planning and development	78	(78)	-	7	7	#DIV/0!	8.4%	10
Road transport	11 840	(4 848)	6 992	6 598	(394)	94.4%	55.7%	9 371
<i>Trading services</i>	74 929	(3 080)	71 850	61 506	(10 344)	85.6%	82.1%	58 531
Electricity	64 748	(1 008)	63 740	55 938	(7 802)	87.8%	86.4%	53 323
Waste management	9 847	(2 120)	7 727	5 163	(2 564)	66.8%	52.4%	4 384
<i>Other</i>	334	48	382	405	22	105.9%	121.1%	824
Total Revenue - Standard	140 434	385	140 819	121 749	(19 070)	86.5%	86.7%	123 757
Expenditure - Standard								
<i>Governance and administration</i>	41 649	1 351	43 000	49 371	6 371	114.8%	118.5%	46 679
Executive & council	15 628	1 541	17 169	15 211	(1 958)	88.6%	97.3%	15 598
Budget and treasury	15 183	587	15 770	34 160	18 390	216.6%	225.0%	31 081
Corporate services	10 838	(777)	10 061	-	(10 061)	-	-	-
<i>Community and public safety</i>	12 021	584	12 605	11 483	(1 122)	91.1%	95.5%	11 392
Community and social services	3 617	22	3 639	3 290	(349)	90.4%	91.0%	3 080
Sport and recreation	2 790	466	3 256	2 858	(397)	87.8%	102.5%	3 072
Public safety	4 174	(121)	4 052	3 592	(460)	88.6%	86.1%	3 777
Housing	1 440	217	1 658	1 742	84	105.1%	120.9%	1 462
<i>Economic and environmental services</i>	12 026	301	12 326	15 260	2 934	123.8%	126.9%	15 578
Planning and development	1 740	91	1 830	1 376	(454)	75.2%	79.1%	1 383
Road transport	10 286	210	10 496	13 884	3 388	132.3%	135.0%	14 195
<i>Trading services</i>	64 034	197	64 232	67 172	2 941	104.6%	104.9%	63 678
Electricity	53 093	381	53 474	56 443	2 968	105.6%	106.3%	53 611
Waste management	10 788	(186)	10 602	10 255	(347)	96.7%	95.1%	9 956
<i>Other</i>	153	2	155	475	320	306.3%	310.8%	111
Total Expenditure - Standard	129 730	2 432	132 162	143 286	11 124	108.4%	110.4%	137 326
Surplus/(Deficit) for the year	10 704	(2 048)	8 657	(21 538)	(30 194)	-248.8%	-201.2%	(13 569)

**APPENDIX E (2) - Unaudited
MALETSWAI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)**

Description	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue by Vote								
Executive and council	2 448	200	2 648	2 468	(180)	93.2%	100.8%	6 636
Budget and Treasury Office	44 075	320	44 395	43 849	(546)	98.8%	99.5%	43 816
Community and Social Services	1 183	(11)	1 172	1 056	(116)	90.1%	89.3%	1 087
Sport and Recreation	402	9 085	9 487	2 574	(6 913)	27.1%	641.1%	408
Public Safety	5 479	(1 204)	4 275	3 692	(583)	86.4%	67.4%	3 897
Planning and Development	78	(78)	-	7	7	#DIV/0!	8.4%	10
Road Transport	11 840	(4 848)	6 992	6 598	(394)	94.4%	55.7%	9 371
Electricity	64 748	(1 008)	63 740	55 938	(7 802)	87.8%	86.4%	53 323
Waste Management	9 847	(2 120)	7 727	5 163	(2 564)	66.8%	52.4%	4 384
Other	334	48	382	405	22	105.9%	121.1%	824
Total Revenue by Vote	140 434	385	140 819	121 749	(19 070)	86.5%	86.7%	123 757
Expenditure by Vote to be appropriated								
Executive and council	15 628	1 541	17 169	15 211	(1 958)	88.6%	97.3%	15 598
Budget and Treasury Office	26 021	(190)	25 831	34 160	8 329	132.2%	131.3%	31 081
Community and Social Services	3 617	22	3 639	3 290	(349)	90.4%	91.0%	3 080
Sport and Recreation	2 790	466	3 256	2 858	(397)	87.8%	102.5%	3 072
Public Safety	4 174	(121)	4 052	3 592	(460)	88.6%	86.1%	3 777
Housing	1 440	217	1 658	1 742	84	105.1%	120.9%	1 462
Planning and Development	1 740	91	1 830	1 376	(454)	75.2%	79.1%	1 383
Road Transport	10 286	210	10 496	13 884	3 388	132.3%	135.0%	14 195
Electricity	53 093	381	53 474	56 443	2 968	105.6%	106.3%	53 611
Waste Management	10 788	(186)	10 602	10 255	(347)	96.7%	95.1%	9 956
Other	153	2	155	475	320	306.3%	310.8%	111
Total Expenditure by Vote	129 730	2 432	132 162	143 286	11 124	108.4%	110.4%	137 326
Surplus/(Deficit) for the year	10 704	(2 048)	8 657	(21 538)	(30 194)	-248.8%	-201.2%	(13 569)

**APPENDIX E (3) - Unaudited
MALETSWAI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
REVENUE AND EXPENDITURE**

Description	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue By Source								
Property rates	12 783	–	12 783	11 150	(1 633)	87.2%	87.2%	11 437
Service charges	73 240	(3 648)	69 591	60 613	(8 979)	87.1%	82.8%	56 112
Rental of facilities and equipment	2 309	(100)	2 209	1 958	(251)	88.6%	84.8%	2 095
Interest earned - external investments	224	376	600	671	71	111.8%	300.1%	478
Interest earned - outstanding debtors	385	57	442	562	120	127.2%	146.1%	342
Fines	232	–	232	322	90	138.9%	138.9%	248
Licences and permits	3 090	(938)	2 152	1 798	(354)	83.6%	58.2%	2 074
Agency services	2 199	(251)	1 947	1 701	(247)	87.3%	77.4%	4 705
Transfers recognised - operational	30 682	122	30 804	31 559	756	102.5%	102.9%	30 350
Other revenue	4 858	(862)	3 996	3 883	(113)	97.2%	79.9%	7 333
Gains on disposal of PPE	34	32	66	393	326	591.3%	1154.7%	170
Total Revenue (excluding capital transfers and contributions)	130 035	(5 212)	124 823	114 610	(10 213)	-2394.9%	88.1%	115 343
Expenditure By Type								
Employee related costs	50 927	(5 839)	45 088	42 056	(3 032)	93.3%	82.6%	41 060
Remuneration of councillors	3 608	–	3 608	3 465	(144)	96.0%	96.0%	3 291
Debt impairment	350	–	350	6 122	5 772	1749.2%	1749.2%	4 121
Depreciation & asset impairment	2 161	–	2 161	12 250	10 090	567.0%	567.0%	12 159
Finance charges	444	184	627	7 231	6 604	1153.0%	1630.0%	4 953
Bulk purchases	45 600	817	46 417	47 763	1 346	102.9%	104.7%	45 016
Transfers and grants	–	–	–	391	391	#DIV/0!	#DIV/0!	387
Other expenditure	26 640	7 270	33 910	23 646	(10 265)	69.7%	88.8%	25 731
Loss on disposal of PPE	–	–	–	362	362	#DIV/0!	#DIV/0!	608
Total Expenditure	129 730	2 432	132 162	143 286	11 124	5433.6%	110.4%	137 326
Surplus/(Deficit)	305	(7 644)	(7 339)	(28 677)	(21 337)	390.7%	-9402.1%	(21 983)
Transfers recognised - capital	10 399	5 597	15 996	7 139	(8 857)	44.6%	68.6%	8 414
Surplus/(Deficit) for the year	10 704	(2 048)	8 657	(21 538)	(30 194)	-248.8%	-201.2%	(13 569)

**APPENDIX E (4) - Unaudited
MALETSWAI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING**

Description	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Capital expenditure - Vote								
Single-year expenditure								
Executive and council	35	400	435	13	(422)	3.0%	37.5%	127
Budget and Treasury Office	410	210	620	248	(372)	40.0%	60.6%	344
Community and Social Services	40	10	50	18	(32)	35.1%	43.9%	10
Sport and Recreation	35	9 049	9 084	2 480	(6 604)	27.3%	7086.1%	0
Public Safety	20	400	420	12	(408)	2.8%	57.8%	2
Housing	20	-	20	2	(18)	9.6%	9.6%	7
Road Transport	10 069	(4 849)	5 220	4 270	(950)	81.8%	42.4%	8 607
Electricity	20	1 397	1 417	1 639	222	115.7%	8193.6%	2 092
Waste Management	55	-	55	266	211	482.9%	482.9%	301
Capital single-year expenditure	10 704	6 617	17 321	8 947	(8 374)	52%	84%	11 491
Total Capital Expenditure - Vote	10 704	6 617	17 321	8 947	(8 374)	52%	84%	11 491
Capital Expenditure - Standard								
Governance and administration	445	610	1 055	261	(794)	24.8%	58.7%	471
Executive and council	35	400	435	13	(422)	3.0%	37.5%	127
Budget and treasury office	390	40	430	248	(182)	57.7%	63.7%	344
Corporate services	20	170	190	-	(190)	-	-	-
Community and public safety	115	9 459	9 574	2 511	(7 063)	26.2%	2183.6%	20
Community and social services	40	10	50	18	(32)	35.1%	43.9%	10
Sport and recreation	35	9 049	9 084	2 480	(6 604)	27.3%	7086.1%	0
Public safety	20	400	420	12	(408)	2.8%	57.8%	2
Housing	20	-	20	2	(18)	9.6%	9.6%	7
Economic and environmental services	10 069	(4 849)	5 220	4 270	(950)	81.8%	42.4%	8 607
Planning and development	-	-	-	-	-	-	-	-
Road transport	10 069	(4 849)	5 220	4 270	(950)	81.8%	42.4%	8 607
Trading services	75	1 397	1 472	1 904	433	129.4%	2539.1%	2 393
Electricity	20	1 397	1 417	1 639	222	115.7%	8193.6%	2 092
Waste management	55	-	55	266	211	482.9%	482.9%	301
Total Capital Expenditure - Standard	10 704	6 617	17 321	8 947	(8 374)	52%	84%	11 491
Funded by:								
National Government	10 399	5 597	15 996	7 139	(8 857)	44.6%	68.6%	9 534
Provincial Government	-	-	-	-	-	-	-	995
Transfers recognised - capital	10 399	5 597	15 996	7 139	(8 857)	45%	69%	10 529
Borrowing	-	940	940	-	(940)	-	-	104
Internally generated funds	305	80	385	1 808	1 423	469.6%	592.8%	857
Total Capital Funding	10 704	6 617	17 321	8 947	(8 374)	52%	84%	11 491

**APPENDIX E (5) - Unaudited
MALETSWAI LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015
CASH FLOWS**

Description	2014/2015							2013/2014
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Ratepayers and other	94 147	(3 369)	90 777	69 989	(20 788)	77.1%	74.3%	74 589
Government - operating	30 682	122	30 804	33 917	3 113	110.1%	110.5%	36 574
Government - capital	10 399	5 597	15 996	7 139	(8 857)	44.6%	68.6%	8 414
Interest	608	290	898	1 233	335	137.3%	202.7%	820
Payments								
Suppliers and employees	(126 143)	(2 881)	(129 024)	(91 357)	37 667	70.8%	72.4%	(96 271)
Finance charges	(444)	(184)	(627)	(5 789)	(5 161)	923.0%	1304.9%	(3 677)
NET CASH FROM/(USED) OPERATING ACTIVITIES	9 250	(426)	8 824	15 132	6 308			20 449
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	34	32	66	447	380	672.7%	1313.8%	261
Decrease (increase) in non-current investments	410	-	410	(40)	(450)	-9.7%	-9.7%	(38)
Payments								
Capital assets	(10 704)	(6 597)	(17 301)	(8 755)	8 546	50.6%	81.8%	(11 124)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(10 260)	(6 564)	(16 824)	(8 349)	8 475			(10 901)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Increase (decrease) in consumer deposits	100	-	100	(118)	(218)	-118.1%	-118.1%	173
Payments								
Repayment of borrowing	(1 105)	(87)	(1 192)	(1 664)	(472)	139.6%	150.5%	(1 554)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(1 005)	(87)	(1 092)	(1 782)	(690)			(1 380)
NET INCREASE/ (DECREASE) IN CASH HELD	(2 015)	(7 077)	(9 092)	4 610	13 702	-50.7%	-228.8%	8 168
Cash/cash equivalents at the year begin:	(7 817)	-	(7 817)	8 895	16 712	-113.8%	-113.8%	1 114
Cash/cash equivalents at the year end:	(9 832)	(7 077)	(16 909)	13 506	29 724	-79.9%	-137.4%	8 895