DR RUTH S MOMPATI DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

General Information

Legal form of entity	District Municipality
Mayoral committee	
Executive Mayor	CE Tladinyane
Councillors	Cllr. C.E. Tladinyane: Directly Elected-Kagisano/Molopo
	Cllr. N.W. Skalk: Directly Elected-Naledi
	Cllr. S.F. Kgodumo: Directly Elected-Naledi
	Cllr. M.K. Mojanaga: Directly Elected-Greater-Taung
	Cllr. M.S. Moyake: Directly Elected-Mamusa
	Cllr. K.G. Sereko: Directly Elected-Greater Taung
	Cllr. P.W. Kgosieng: Directly Elected-Greater Taung
	Cllr. M.S. Montshiwagae: Directly Elected-Kagisano/Molopo
	Cllr. Cllr. M.G. Tong: Directly Elected-Kagisano/Molopo
	Cllr. L.E. Gaobepe-Boemo: Directly Elected-Kagisano
	Cllr. G. Toba: Kagisano/Molopo Local Municipality
	Cllr. M. Nchochoba: Naledi Local Municipality
	Cllr. Cllr. L. Motlapele: Mamusa Local Municipality
	Cllr. C. Herbst: Mamusa Local Municipality
	Cllr. Cllr T. Mokgosi: Lekwa-Teemane Local Municipality
	Cllr. I. Snyman: Lekwa-Teemane Local Municipality
	Cllr. A. Adonis: Naledi Local Municipality
	Cllr. D. Van Tonder : Naledi Local Municipality
	Cllr. T. Loabile: Kagisano/Molopo Local Municipality
	Cllr. D. Baepi: Kagisano/Molopo Local Municipality
	Cllr. G. Nthebotsenyane: Kagisano/Molopo Local Municipality
	Cllr. M.P. Letebele: Kagisano/Molopo Local Municipality
	Cllr. M.P. Ditshakane: Greater-Taung Local Municipality
	Cllr. K. Molifi: Greater-Taung Local Municipality
	Cllr. J. Halenyane: Greater-Taung Local Municipality
	Cllr. M. S. Kanyane: Greater-Taung Local Municipality
	Cllr. R. Mokoto: Greater-Taung Local Municipality
	Cllr. O.V. Mongale: Greater-Taung Local Municipality
	Cllr. J. Moncho: Greater-Taung Local Municipality
	Kgosi N.C. Motlhabane : Ba ga Maidi- Taung
	K.G.N. Palagangwe: Ba ga Mothibi – Taung
	Kgosi T.F.M. Mankuroane : Ba ga Phuduhutswana-Taung
	Kgosi T.G. Letlhogile : Ba ga Tlou le Tau –Ganyesa

General Information

Accounting Officer	Mr Z E L Tshetlho Contact information: (053) 928 4713 082 550 9663 tshetloz@bophirima.co.za
Chief Finance Officer (CFO)	Ms Segomotso Phatudi: Contact information: (053) 928 4702 phatudis@bophirima.co.za
Business address	60 Market Street Vryburg 8600
Postal address	PO Box 21 Vryburg 8600 053 928 4700
Bankers	First National Bank

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

Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on pages 6 to 54, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015.

ACCOUNTING OFFICER
MR Z.E.L. TSHETLHO

31 August 2015

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2015.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed the entities compliance with legal and regulatory provisions;

The audit committee concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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CHAIRPERSON OF THE AUDIT COMMITTEE

Date: ____________________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

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

2. Going concern

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer does not have any interest in any contract concerning Dr Ruth S Mompati Municipality.

5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Non-current assets

There were no details of major changes in the nature of the non-current assets of the municipality during the year.

7. Bankers

The bankers of Dr Ruth S Mompati District Municipality is First National Bank (FNB).

8. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2015

Figures in Rand	Notes	2015	2014 Restated*
Assets			
Current Assets			
VAT receivable		68 018 888	30 785 991
Receivables from non-exchange transactions	3	11 598 729	9 634 421
Prepayments		-	59 488
Non current assets held for sale		-	361 148
Cash and cash equivalents	4	53 722 055	57 996 274
		133 339 672	**98 837 322**
Non-Current Assets			
Investment property	5	3 800 000	3 813 000
Property, plant and equipment	6	1 794 175 814	1 654 982 074
Intangible assets	7	1 059 380	1 147 156
		1 799 035 194	**1 659 942 230**
Total Assets		**1 932 374 866**	**1 758 779 552**
Liabilities			
Current Liabilities			
DBSA loan		7 200 000	1 200 000
Deposits		404 353	404 353
Payables from exchange transactions	8	100 475 308	114 531 015
Unspent conditional grants and receipts	9	42 683 294	12 719 729
		150 762 955	**128 855 097**
Non-Current Liabilities			
DBSA loan		115 407 921	104 037 886
Provisions	10	35 557 962	26 363 410
		150 965 883	**130 401 296**
Total Liabilities		**301 728 838**	**259 256 393**
Net Assets		**1 630 646 028**	**1 499 523 159**
Reserves		7 725 632	7 725 632
Accumulated surplus		1 622 920 396	1 491 797 527
Total Net Assets		**1 630 646 028**	**1 499 523 159**

* See Note 32

Statement of Financial Performance

Figures in Rand	Notes	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Other income		127 886	294 704
Rental of facilities and equipment	11	665 696	811 574
Interest earned - external investment	12	5 024 564	3 543 754
Total revenue from exchange transactions		**5 818 146**	**4 650 032**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	13	470 008 042	421 592 949
Total revenue	14	**475 826 188**	**426 242 981**
Expenditure			
Employee related costs	15	(105 304 278)	(90 025 998)
Remuneration of councillors	16	(5 874 526)	(5 583 779)
Depreciation and amortisation	17	(48 919 926)	(38 248 941)
Finance costs		(18 570 035)	(12 671 670)
Repairs and maintenance		(5 377 468)	(1 514 636)
Bulk purchases	18	(61 573 218)	(64 928 699)
Contracted services		(19 720 232)	(100 235 740)
Grants and subsidies paid	19	(42 508 160)	(55 601 755)
General Expenses	20	(31 306 510)	(31 698 837)
Total expenditure		**(339 154 353)**	**(400 510 055)**
Operating surplus		**136 671 835**	**25 732 926**
(Loss) gain on disposal of assets and liabilities	6	(9 321 470)	27 338
Fair value adjustments	21	115 900	487 000
		(9 205 570)	**514 338**
Surplus for the year		**127 466 265**	**26 247 264**

* See Note 32

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2013	**7 725 632**	**1 663 745 273**	**1 671 470 905**
Changes in net assets			
Correction of error	-	(198 195 008)	(198 195 008)
Net income (losses) recognised directly in net assets	-	(198 195 008)	(198 195 008)
Surplus for the year	-	26 247 262	26 247 262
Total recognised income and expenses for the year	-	(171 947 746)	(171 947 746)
Total changes	7 725 632	(171 947 746)	(164 222 114)
Restated* Balance at 01 July 2014	**7 725 632**	**1 491 797 528**	**1 499 523 160**
Changes in net assets			
Other changes	-	3 656 603	3 656 603
Net income (losses) recognised directly in net assets	-	3 656 603	3 656 603
Surplus for the year	-	127 466 265	127 466 265
Total recognised income and expenses for the year	-	131 122 868	131 122 868
Total changes	-	131 122 868	131 122 868
Balance at 30 June 2015	**7 725 632**	**1 622 920 396**	**1 630 646 028**

* See Note 32

Cash Flow Statement

Figures in Rand	Notes	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		550 754 914	488 504 558
Interest received		5 024 564	3 543 754
		555 779 478	492 048 312
Payments			
Cash paid to suppliers and employees		(361 900 655)	(382 463 112)
Net cash flows from operating activities	22	**193 878 823**	**109 585 200**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(196 945 090)	(131 777 879)
Purchase of other intangible assets	7	(7 952)	(470 691)
Net cash flows from investing activities		**(196 953 042)**	**(132 248 570)**
Cash flows from financing activities			
Repayment of DBSA Loan		(1 200 000)	-
Net increase/(decrease) in cash and cash equivalents		**(4 274 219)**	**(22 663 370)**
Cash and cash equivalents at the beginning of the year		57 996 274	80 659 644
Cash and cash equivalents at the end of the year	4	**53 722 055**	**57 996 274**

* See Note 32

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Other income	27 926 850	(19 997 579)	**7 929 271**	127 886	**(7 801 385)**	N1
Rental of facilities and equipment	-	665 696	**665 696**	665 696	**-**	
Interest received - investment	3 512 560	1 509 813	**5 022 373**	5 024 564	**2 191**	
Total revenue from exchange transactions	**31 439 410**	**(17 822 070)**	**13 617 340**	**5 818 146**	**(7 799 194)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	423 683 550	74 898 285	**498 581 835**	470 008 042	**(28 573 793)**	N2
Total revenue	**455 122 960**	**57 076 215**	**512 199 175**	**475 826 188**	**(36 372 987)**	
Expenditure						
Employee related costs	(89 504 998)	(6 397 959)	**(95 902 957)**	(105 304 278)	**(9 401 321)**	N3
Remuneration of councillors	(5 763 342)	(114 151)	**(5 877 493)**	(5 874 526)	**2 967**	
Depreciation and amortisation	(3 460 733)	3 460 733	**-**	(48 919 926)	**(48 919 926)**	N4
Finance costs	-	-	**-**	(18 570 035)	**(18 570 035)**	N6
Repairs and maintenance	(1 080 400)	(443 634)	**(1 524 034)**	(5 377 468)	**(3 853 434)**	N5
Bulk purchases	(64 007 000)	10 285 959	**(53 721 041)**	(61 573 218)	**(7 852 177)**	N7
Contracted Services	(44 179 459)	4 701 582	**(39 477 877)**	(19 720 232)	**19 757 645**	N8
Transfers and Subsidies	(46 027 000)	9 782 271	**(36 244 729)**	(42 508 160)	**(6 263 431)**	N9
General Expenses	(26 630 478)	(193 925)	**(26 824 403)**	(31 306 509)	**(4 482 106)**	N10
Total expenditure	**(280 653 410)**	**21 080 876**	**(259 572 534)**	**(339 154 352)**	**(79 581 818)**	
Operating surplus	**174 469 550**	**78 157 091**	**252 626 641**	**136 671 836**	**(115 954 805)**	
Loss on disposal of assets and liabilities	-	-	**-**	(9 321 470)	**(9 321 470)**	N11
Fair value adjustments	-	-	**-**	115 900	**115 900**	
	-	**-**	**-**	**(9 205 570)**	**(9 205 570)**	
Surplus before taxation	**174 469 550**	**78 157 091**	**252 626 641**	**127 466 266**	**(125 160 375)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**174 469 550**	**78 157 091**	**252 626 641**	**127 466 266**	**(125 160 375)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

The accounting policies on pages 13 to 32 and the notes on pages 33 to 54 form an integral part of the annual financial statements.

The following is a list of the exceptions noted from the budget and actual comparison:

N1 - Difference is due to the amount of the expected other income not being realised as planned.

N2 - Additional conditional grants received during the year. i.e MIG.

N3 - Higher than aniticipated provsioins for Continued Medical Aid and Long Service Awards.

N4 - Depreciation for Infrastractural assets could not be budgeted for.

N5 - Reclassification of an amount of R3,8m from bulk water to repairs and maintenance. This was the cost for the maintenance of the waste treatment and of the pipeline were wrongfully classified as bulk purchases.

N6 - Interest paid on the DBSA Loan account now brought in.

N7 - Reclassification of an amount of R3,8m from bulk water to repairs and maintenance. This was the cost for the maintenance of the waste treatment and of the pipeline were wrongfully classified as bulk purchases. Ubderbudgeting for bulk purchases due to limited financial resources.

N8 - Lower than expected expenditure on the Contracted Services, due to slow implementation of projects and improper planning.

N9 - Amount exceeded due to additional support that was given to the local municipality.

N10 - Higher than expected general expenditure which includes the travel and subsitence amount.

N11 - Disposal of infrastructure assets no longer in use, noted during the fieldwork surveying. This also includes disposal of computer equipment during the year.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Provisions.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Allowance for doubtful debts

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

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

Fair value

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

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

1.3 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years

Accounting Policies

1.3 Property, plant and equipment (continued)

Infrastructure		
• Earthworks	Straight line	88 years
• Pipes - Clay	Straight line	80 years
• Pipes - Concrete	Straight line	80 years
• Pipes - Steel	Straight line	80 years
• Pipes - uPVC	Straight line	75 years
• Buildings - Brick	Straight line	75 years
• Buildings - Steel	Straight line	88 years
• Buildings - Corrugated Iron	Straight line	15 years
• Buildings - Concrete	Straight line	63 years
• Borehole	Straight line	63 years
• Meters: Bulk	Straight line	23 years
• Meters: Consumer	Straight line	23 years
• Valves	Straight line	50 years
• Standpipes	Straight line	38 years
• Fire Hydrants	Straight line	50 years
• Telemetry	Straight line	18 years
• Motor: Electrical	Straight line	18 years
• Motor: Engine	Straight line	23 years
• Pump: Submersible	Straight line	15 years
• Pump: Centrifugal	Straight line	15 years
• Windmill	Straight line	90 years
• Manholes & Chambers (Bricks)	Straight line	73 years
• Manholes & Chambers (Concrete)	Straight line	80 years
• Storage - Steel	Straight line	70 years
• Storage - Plastic	Straight line	48 years
• Reservoirs - Concrete	Straight line	75 years
• Storage - Concrete (Cattle Troughs)	Straight line	75 years
• Support Structure - Steel	Straight line	70 years
• Support Structure - Stone	Straight line	75 years
• Perimeter Protection - Razor Wire	Straight line	28 years
• Perimeter Protection - Precast	Straight line	43 years
• Perimeter Protection - Wire Mesh	Straight line	28 years
• Perimeter Protection - Electrical	Straight line	28 years
• Perimeter Protection - Brick	Straight line	43 years
• Perimeter Protection - Iron Palisade	Straight line	43 years
• Wave Protection	Straight line	95 years
• Switchgear	Straight line	18 years
• Perimeter Protection - Wire	Straight line	28 years
Official vehicles	Depreciation is calculated as the difference between the opening carrying amount and the revalued amount (average of trade and retail values) at year end	Annually
Machinery and equipment	Straight line	7 years
Office equipment	Straight line	5 years
Office furniture	Straight line	7 years
Computer equipment	Straight line	5 years

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

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

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

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

1.3 Property, plant and equipment (continued)

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

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the disclosure notes.

1.4 Intangible assets

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

1.4 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

Item	Useful life
Computer software	5 years

1.5 Financial instruments

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

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

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

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

Accounting Policies

1.5 Financial instruments (continued)

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Receivables	Financial asset measured at amortised cost
Bank Balances	Financial asset measured at amortised cost

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

Class	Category
Trade payables	Financial liability measured at amortised cost
DBSA Loan	Financial liability measured at amortised cost

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

1.5 Financial instruments (continued)

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

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

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

1.5 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.5 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

1.5 Financial instruments (continued)

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

Presentation

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

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

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

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit. A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

1.6 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.7 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.8 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Accounting Policies

1.8 Employee benefits (continued)

Post-employment benefits

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

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

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

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.8 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

1.8 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

1.8 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.9 Provisions

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Accounting Policies

1.9 Provisions (continued)

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 23.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.10 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.10 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.11 Revenue from exchange transactions

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

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

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

1.12 Revenue from non-exchange transactions

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

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

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

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

Transfers

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

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

Donations

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

Services in-kind

Services in-kind are not recognised.

1.13 Unauthorised expenditure

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

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

Accounting Policies

1.14 Fruitless and wasteful expenditure

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

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

1.15 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 Related parties

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 107: Mergers	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	The impact of the amendment is not material.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact of the amendment is not material.

3. Receivables from non-exchange transactions

	2015	2014
Claims	-	31 953
Consumer debtors	1 239	-
Employee debtors	476 218	509 940
Government grants and subsidies	10 290 861	8 692 671
Other debtors	2 387 869	2 018 019
Less: Provision for impairment and receivables	(1 557 458)	(1 618 162)
	11 598 729	**9 634 421**

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Cash on hand	2 575	1 200
Bank balances	3 539 383	38 740 329
Short-term deposits	50 180 097	19 254 745
	53 722 055	**57 996 274**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

5. Investment property

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	3 800 000	-	3 800 000	3 813 000	-	3 813 000

Reconciliation of investment property - 2015

	Opening balance	**Fair value adjustments**	**Total**
Investment property	3 813 000	(13 000)	3 800 000

Reconciliation of investment property - 2014

	Opening balance	**Total**
Investment property	3 813 000	3 813 000

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

6. Property, plant and equipment

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	14 633 142	-	14 633 142	14 143 094	-	14 143 094
Machinery and equipment	3 852 128	(2 125 351)	1 726 777	3 120 795	(1 892 416)	1 228 379
Office furniture	2 218 869	(1 689 688)	529 181	2 136 229	(1 448 279)	687 950
Official vehicles	22 347 973	(15 201 402)	7 146 571	22 449 058	(12 391 539)	10 057 519
Office equipment	1 388 814	(1 054 581)	334 233	1 463 366	(1 006 433)	456 933
Computer equipment	6 944 197	(5 274 544)	1 669 653	6 292 077	(4 489 668)	1 802 409
Infrastructure	1 651 857 706	(263 521 145)	1 388 336 561	1 583 433 249	(220 603 013)	1 362 830 236
Work in progress	379 799 696	-	379 799 696	263 775 554	-	263 775 554
Total	**2 083 042 525**	**(288 866 711)**	**1 794 175 814**	**1 896 813 422**	**(241 831 348)**	**1 654 982 074**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers from NCAHFS	Transfers	Revaluations	Depreciation	Total
Land	14 143 094	-	-	361 148	-	128 900	-	14 633 142
Plant and machinery	1 228 378	731 334	-	-	-	-	(232 935)	1 726 777
Office furniture	687 950	82 640	-	-	-	-	(241 409)	529 181
Official vehicles	10 057 519	-	-	-	-	-	(2 910 948)	7 146 571
Office equipment	456 933	22 988	-	-	-	-	(145 687)	334 234
Computer equipment	1 802 409	796 151	(71 301)	-	-	-	(857 606)	1 669 653
Infrastructure	1 362 830 236	-	(9 250 170)	-	79 287 835	-	(44 531 341)	1 388 336 560
Work in progress	263 775 554	195 311 977	-	-	(79 287 835)	-	-	379 799 696
	1 654 982 073	**196 945 090**	**(9 321 471)**	**361 148**	**-**	**128 900**	**(48 919 926)**	**1 794 175 814**

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	14 143 094	-	-	-	-	-	14 143 094
Plant and machinery	1 055 997	566 876	-	-	(389 552)	(4 943)	1 228 378
Office furniture	834 421	150 800	(12 892)	-	(275 815)	(8 564)	687 950
Official vehicles	13 555 720	698 477	(67 305)	-	(4 196 677)	67 304	10 057 519
Office equipment	655 554	58 897	(8 736)	-	(248 782)	-	456 933
Computer equipment	1 830 768	630 101	-	-	(659 586)	1 126	1 802 409
Infrastructure	1 196 080 698	-	-	198 899 082	(32 149 544)	-	1 362 830 236
Work in progress	333 001 908	129 672 728	-	(198 899 082)	-	-	263 775 554
	1 561 158 160	**131 777 879**	**(88 933)**	**-**	**(37 919 956)**	**54 923**	**1 654 982 073**

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

7. Intangible assets

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Other intangible assets	1 178 643	(119 263)	1 059 380	1 170 691	(23 535)	1 147 156

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Other intangible assets	1 147 156	7 952	(95 728)	1 059 380

7. Intangible assets (continued)

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Other intangible assets	700 000	470 691	(23 535)	1 147 156

8. Payables from exchange transactions

	2015	2014
Trade payables	77 904 079	86 673 121
Retention	14 275 591	22 555 010
Staff leave	5 002 034	2 904 530
Other Creditors	3 293 604	2 398 354
	100 475 308	**114 531 015**

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2015	2014
Unspent conditional grants and receipts		
Rural transport service and infrastructure grant	312 815	24 023
Transition grant: IMMIS	34 030	34 030
PIG conditional grant	-	957 586
Rural household infrastructure grant	1 043 998	491 357
Department of Sport	897 237	897 237
Municipal Water Infrastructure Grant	3 638 223	402 962
Financial Management Grant	378 568	203 797
Rural Sanitation Programme	35 039	35 039
Vuna awards - Conditional Grant	710	710
MIG Conditional Grant	25 920 827	-
Water Services Operating Grant	3 334 430	-
Fire and Emergency Grant	2 415 163	2 415 163
National Department of Public Works	-	1 668 000
LG SETA - Grant	2 030 663	-
National Department of Public Works	1 668 000	-
Municipal Systems Improvement Grant	75 200	17 824
Deployment of Engineers Grant	47 160	-
Disaster Management Fund	851 232	5 572 001
	42 683 295	**12 719 729**

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

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

These amounts are invested in a ring-fenced investment until utilised.

10. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Service and interest cost	Benefits paid	Actuarial (gain)/loss	Current year contribution	Total
Long service awards contributions	3 332 598	743 000	(454 000)	474 402	-	4 096 000
Continued employee service contributions	20 494 000	3 790 000	(1 043 000)	4 380 000	-	27 621 000
Provision 3	2 536 811	-	-	-	1 304 151	3 840 962
	26 363 409	**4 533 000**	**(1 497 000)**	**4 854 402**	**1 304 151**	**35 557 962**

Reconciliation of provisions - 2014

	Opening Balance	Service and interest cost	Benefits paid	Actuarial (gain)/loss	Current year contribution	Total
Long service awards contributions	4 560 474	628 959	(642 155)	(1 214 680)	-	3 332 598
Continued employee service contributions	23 418 211	2 397 851	(547 720)	(4 774 342)	-	20 494 000
Performance bonus provision	1 161 976	-	-	-	1 374 835	2 536 811
	29 140 661	**3 026 810**	**(1 189 875)**	**(5 989 022)**	**1 374 835**	**26 363 409**

10. Provisions (continued)

Employee benefit cost provision

BACKGROUND

One Pangaea Financial (‘OPF’) performed the actuarial valuation of Dr Ruth Segomotsi Mompatis Municipality’s post employment health care liability at 30 June 2015 for the purpose of reporting under the Statement of Generally Recognised Accounting Practice 25 (GRAP25) of the Accounting Standards Board (ASB) Directive 5.

This investigation is for financial reporting and is addressed only to the management of Dr Ruth Segomotsi Mompatis Municipality. it is addressed neither to the mebers nor the trustees of any medical scheme. This report is confidential to the party to whom it is addressed..

PRIMARY OBJECTIVE

The primary objective of this investigation is to quantify the present value of post employment healthcare liabilities in terms of GRAP 25 for employees:

a) Current cuntinuation retirees; and
b) Future continuation retirees emanating from the current active and inactive medical scheme members employed by Dr Ruth Segomotsi Mompatis Municipality.

An expense for the 2014/15 financial year will be derived and a projected expense for the following year will be calculated for budget purposes.

NATURE OF THE LIABILITY

The employer’s post-employment health care liability consists of a commitment to pay a portion of the pensioners’ post--employmen medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary pensioner.

The liability generated by the obligation to subsidise medical contribution in retirement, for qualifying retirees and their eligible dependants, is classified as a defined benefit liability in terms of GRAP 25

Dr Ruth Segomotsi Mompati is committed to pay subsidiaries broadly as follows

a) Between 40% and 60% to current employees;
b) 70% to current continuation retirees
c) Widow (er)s and orphans of current employees are entitled to continue at 70%, the subsidy upon death of the pensioner.

The subsidy percentages were provided to us by Dr Ruth Segomotsi Mompati and are not verifiable.

10. Provisions (continued)

LIABILITIES

The accrued liability and funded status as at the previos, current and future valuation period are as follows:

	30 June 2014 R 000s	30 June 2015 R 000s	30 June 2016 R 000s
Active employees		13 614	16 794
Continuation pensioners		14 007	14 101
Employers adjusted closing accrued liability	21 036	27 621	30 895

Note: It is important to note that the 30 June 2014 liability was determined by a different actuary to ourselves and as such we do not have the split of the liability between activities and pensioners.

ASSETS

We are not aware of any assets set aside forfor post employment health care funding that qualify as plan assets in terms of the requirements of GRAP 25. As such we have ascribed a nil value to the fair value of plan assets.

FUNDED STATUS

The funded status is calculated by comparing the accrued liabilities, as at the valuation date, with the plan assets held. The funded status, as at the 2014, 2015 and 2016 valuation dates, is shown below:

	30 June 2014 R 000s	30 June 2015 R 000s	30 June 2016 R 000s
Active employees		13 614	16 794
Continuation pensioners	-	14 007	14 101
Funded status at valuation date	21 036	27 621	30 895

The actual expense for the 2014/15 financial year together with the projected expense for the 2015/16 financial year is as follows:

	30 June 2015 Actual R 000s	30 June 2016 Actual R 000s
Service cost	1 471	1 911
		/
Interest cost	2 319	2 521
Acturial (gain)/loss recognised	4 380	-
Annual expense	8 170	4 432
benefits paid	(1 043)	(1 158)
Change in Net Liability	7 127	3 274

10. Provisions (continued)

*The benefits for the financial year ending 30 June 2015 should report on the actual payment of bonuses made. The actual benefits paid Dr Ruth Se€gomotsi Mompati, accrued over the 2014/15 financial year should be substituted for and the differences netted of the acturial (gain)/loss as the valuation date remais unchanged.

PROJECTED INCREASE IN ACCRUED LIABILITY

The projected increase in the accrued liability for the 2015/16 financial year is as follows:

	R000s
Projected expense 2015/16 excluding acturial (gains)/losses	4 432
Expected benefit payments for the 2015/16 period	(1 158)
Projected increase in accrued liability in the 2015/16 year	3 274
Accrued liability as at 30 June 2015	
Projected accrued liability as at 30 June 2016	30 895

ANALYSIS OF RESULTS

The analysis of the change in results is strong verification of the reasonability of the results and gives an indication of the relevant effect of the different assumptions on the liability.

	30 June 2015
Accrued liability as at 30 June 2014	**3,884**
1. Service costs	1 471
2. Interest costs	2 319
3. Expected benefits payments	(1 043)
Expected accrued liability as at 30 June 2015	**4,173**
4. Discount rate change	188
5. Net effect of staff movements	(268)
6. Salary inflation	
7. Miscellaneous	3 918
Accrued liability as at 30 June 2015	**27 621**

Notes to the Annual Financial Statements

10. Provisions (continued)

Notes:

1. Service cost increased the liability by R1 471 000

2.Interest cost over the valuation period results in a increase in the liability by a R2 319 000

3. Expected benefit payments in respect of continuation pensioners resulted in a decrease in the liability of R1 043 000.

4. The net discount rate increased from 0.89% to 0.85% over the valuation period. This rise in the net discount rate decreased the accrued liability by R188 000

5. During the 2014/15 year the net effect of the eligible employees, for the benefit has increased from 148 to 153 and the continuation pensioners changed from 28 to 29. In addition the participants opted for cheaper medical options than in the previos year.

6. Net effect in the data resulted in an increase to the liability by R3 918 000.Factors that make up the miscellaneous item are changes to membership compoition data changes, variations from demographics assumptions.Factors

HEALTH CARE COST INFLATION

The valuation basis assumes that the healthcare cost inflation rate will be 0.85% less than the corresponding discount rate, in the long term. The efeect of a 1% increase is as follows:

	1% decrease R 000s	**30 June 2015 Valuation basis R 000s**	**1% increase R 000s**
Employer's accrued liability	23 532	27 621	32 833
Employer's service cost	1 508	1 911	2 449

A 1% increase in salary cost inflation will result in roughly a 9% increase in accrued liability. A 1% decrease in health care cost inflation result in roughly a 14.8% decrease in accrued liability.

MORTALITY

The table that follows shows the impact of a change in the mortality assumption from SA85-90 with a 2 year adjustment.

	30 June 2015 Valuation basis PA90-2 R 000s	**SA85-90-2* R 000**
Employer's accrued liability	27 621	28 734
Employer's service cost	1 911	1 979

*PA 90-2(with a3 year age adjustment) means that to each beneficiary we assigned a mortality rate of an individual 3 years younger than that beneficiary. The resulting mortality implies that the individual lives longer than expected in the valuation basis.

As at 30 June 2015, the employer's accrued liability is R27 621 000. The expense for 2014/15 was R7 628 000

The recognised accrued liability as at 30 June 2015 is R27 621 000

The projected expense for 2015/16 is R4 432 000

The net valuation should be undertaken with an effective date of 30 June 2016 reporting of the 2015/16 expense.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

11. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	665 696	811 574

12. Investment revenue

Interest revenue		
Interest received	5 024 564	3 543 754

13. Government grants and subsidies

Operating grants		
Equitable share	223 475 000	214 800 000
RHIG	3 947 359	3 508 643
MWIG	12 805 809	8 297 038
PIG	958 386	10 708 349
Rural transport	3 883 208	2 077 758
EPWP Incentive	2 046 681	610 735
MSIG	876 624	856 035
DWA Refurbishment	6 665 570	-
DWAF	31 819 234	42 806 659
LG Seta	-	2 296 460
Local Government Support	-	11 250
FMG	1 075 229	1 218 425
MIG	177 734 173	134 302 132
Disaster Management Fund	4 720 768	99 465
	470 008 042	**421 592 949**

14. Revenue

Other income	127 886	294 704
Rental of facilities and equipment	665 696	811 574
Interest received - external investment	5 024 564	3 543 754
Government grants & subsidies	470 008 042	421 592 949
	475 826 188	**426 242 981**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Other income	127 886	294 704
Rental of facilities and equipment	665 696	811 574
Interest received - external investment	5 024 564	3 543 754
	5 818 146	**4 650 032**

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

Transfer revenue		
Government grants & subsidies	470 008 042	421 592 949

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

15. Employee related costs

Basic	55 277 979	51 255 400
Contribution to UIF, pension and medical aid	22 919 945	16 193 021
Leave pay provision charge	3 244 185	1 840 854
Travel and motor car allowances	12 321 489	10 589 384
Overtime payments	2 139 925	2 392 190
Housing benefits and allowances	2 179 288	1 877 823
Bonus	5 038 119	4 958 356
Long service awards	1 534 798	508 290
Telephone - Officials	243 050	249 680
Sitting allowance	405 500	161 000
	105 304 278	**90 025 998**

Remuneration of the Municipal Manager

Annual Remuneration	789 866	746 636
Travel allowance	126 000	363 363
Housing allowance	258 402	-
Contributions to UIF, Medical and Pension Funds	155 946	134 394
Cellphone allowance	18 480	-
	1 348 694	**1 244 393**

Remuneration of the Chief Finance Officer

Annual Remuneration	723 840	684 223
Travel allowance	60 000	310 474
Housing allowance	208 056	-
Contributions to UIF, Medical and Pension Funds	167 088	145 675
Bonus	60 320	-
	1 219 304	**1 140 372**

Remuneration of Corporate Services Manager

Annual Remuneration	679 203	1 012 506
Travel allowance	135 841	107 000
Housing allowance	260 361	-
Contributions to UIF, Medical and Pension Funds	13 847	90 304
Bonus	56 600	-
Leave pay	52 247	-
	1 198 099	**1 209 810**

Remuneration of Special Projects Manager

Annual Remuneration	633 540	393 262
Travel allowance	211 223	31 500
Housing allowance	65 545	-
Contributions to UIF, Medical and Pension Funds	161 126	27 160
Bonus	25 000	-
Leave pay	42 964	-
	1 139 398	**451 922**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

15. Employee related costs (continued)

Remuneration of Internal Audit Manager

Annual Remuneration	670 222	121 411
Travel allowance	80 952	-
Housing allowance	234 095	-
Contributions to UIF, Medical and Pension Funds	144 375	121 411
Leave pay	55 853	-
	1 185 497	**242 822**

Remuneration of Engineering Services Manager

Annual Remuneration	670 222	600 408
Travel allowance	97 199	-
Housing allowance	208 769	-
Contributions to UIF, Medical and Pension Funds	152 434	-
Leave pay	24 483	-
	1 153 107	**600 408**

Remuneration of Project Management Unit Manager

Annual Remuneration	335 111	965 331
Travel allowance	90 000	75 000
Housing allowance	133 407	-
Contributions to UIF, Medical and Pension Funds	6 793	95 335
Leave pay	32 696	-
	598 007	**1 135 666**

Remuneration of economic development, tourism & agricultural manager

Annual Remuneration	796 496	885 513
Travel allowance	181 950	180 000
Housing allowance	164 379	-
Contributions to UIF, Medical and Pension Funds	198 363	-
Leave pay	44 186	-
	1 385 374	**1 065 513**

Remuneration of Community Services Manager

Annual Remuneration	671 422	413 253
Travel allowance	77 662	99 922
Housing allowance	162 000	-
Contributions to UIF, Medical and Pension Funds	162 849	-
Bonus	55 952	-
Leave pay	60 149	-
	1 190 034	**513 175**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Remuneration of councillors

Councillors	5 874 526	5 583 779

17. Depreciation and amortisation

Property plant and equipment	48 824 198	38 225 406
Intangible assets	95 728	23 535
	48 919 926	**38 248 941**

18. Bulk purchases

Electricity	-	22 744
Water	61 573 218	64 905 955
	61 573 218	**64 928 699**

19. Grants and subsidies paid

Other subsidies		
Community learnership programme	675 439	2 214 911
Grants paid to local municipalities	40 901 338	50 668 973
Grants paid to LED projects	881 383	2 392 432
Grants paid to tourism projects	50 000	325 439
	42 508 160	**55 601 755**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

20. General expenses

Advertising	760 503	511 335
Auditors remuneration	2 756 020	2 286 060
Bacterial Testing and Analysis	119 443	94 071
Bank charges	70 657	118 264
Books and publications	215 762	73 410
Bursaries for Officials	306 322	297 857
Cleaning materials and consumables	38 450	81 665
Community functions	699 807	930 273
Community learnership programme	100 000	270 327
Congress and Conferences	239 220	239 810
Consulting and professional fees	186 267	647 079
Donations: Executive Mayor's Fund	406 433	220 495
Electricity	663 923	487 577
Entertainment allowance: Mayor and Councillors	-	1 800
Entertainment allowance: SPM	-	1 314
Insurance	1 531 647	1 571 333
Kitchenware and cutlery	290	149
Membership fees: Societies	1 177 133	909 821
Other	461 405	815 232
Postage stamps and telegraphs	5 868	8 197
Printing and stationery	1 234 259	1 401 718
Promotion and Marketing	294 640	1 007 660
Property rates	154 375	137 049
Refreshments and meals	678 168	1 401 407
Rental - Office	1 953 281	1 381 724
Rental of equipment	1 041 946	1 086 585
Research and development costs	1 980	57 054
Restructuring	-	1 500 377
Sanitary and refuse	314 227	87 329
Security (Guarding of municipal property)	242 611	215 053
Security services	1 616 969	1 425 590
Small tools & equipment	7 091	4 944
Software expenses	386 311	671 022
Special Projects	935 853	1 452 945
Sundry expenses	15 693	9 551
Telephone	1 499 301	1 306 507
Training	1 659 295	1 429 645
Transport and freight	1 561 806	1 347 622
Travel and subsistence: Officials	5 938 005	4 640 012
Uniforms and Protective Clothing	516 429	104 745
Vehicles: Fuel and Oil	1 345 704	1 261 460
Vehicles: Licences	58 871	60 600
Water	110 547	142 172
	31 306 512	**31 698 840**

21. Fair value adjustments

Investment property	(13 000)	487 000
Land and buldings	128 900	-
	115 900	**487 000**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

22. Cash generated from operations

Surplus	127 466 265	26 247 262
Adjustments for:		
Depreciation and amortisation	48 919 926	38 248 941
Gain (loss) on sale of assets and liabilities	9 321 470	(27 338)
Fair value adjustments	(115 900)	(487 000)
Movements in retirement benefit assets and liabilities	1 534 798	508 290
Movements in provisions	9 194 552	786 985
Other non-cash items	20 787 571	41 638 948
Changes in working capital:		
Receivables from non-exchange transactions	(1 964 309)	18 926 106
Prepayments	59 488	(59 488)
VAT receivable	(37 232 897)	(1 806 291)
Payables from exchange transactions	(14 055 707)	79 746 720
Unspent conditional grants and receipts	29 963 565	(94 137 935)
	193 878 822	**109 585 200**

23. Contingencies

The following litigation are in the process against the municipality relating to disputes:

1. INCLEDON PLASTICS

This company instituted action against the municipality after the municipality has settled the claim appearances were entered on behalf of the Municipality to defend The action where after the Plaintiff withdrew the action. The Plaintiff however alleges that an amount of R5 000 is still due in respect of interest which has accrued by the date of the payment by the municipality

2. MAMUSA/LATERAL UNISION INSURANCE BROKERS

The Plaintiff instituted action against the municipality of an amount of R240 000.00 for damages suffered due to cancellation of their service level agreement. The matter is being defended and the Plaintiff should apply for a trail date.

3. G & HG SILVER BLUE CONSTRUCTION JV

This Joint Venture instituted legal proceedings against the municipality for payment of an amount of R15,409,361.55 allegedly being due to them in respect of Bid nr BDM2007-013B and the termination of the Joint Venture's services in respect thereof. The plaintiff has not taken any initiative in quite a while and the municipal legal representative is awaiting a Notice of set down.

4. LEKTRATEK WATER TECHNOLOGY (PTY) LTD

The firm issued summons against the municipality for a payment of an amount of R165 022.76, the Plaintiff also claims interest at a rate of 9% per annum from October 2012 we are engaging the calculated from 24 October 2012. The attorneys are engaging with the Plaintiff to arrange for an indulgence as far as the interest is concerned.

Contingent assets

1. BUSINESS WEBWORKS

The Municipality erreneously made payment for an amount of R261 915 to Business webworks. They directed a letter of demand to them but there was no response.

The lawyers are currently awaiting the Municipality's instruction regarding the taking of further instructions for the recovery of the above amount.

2. HARRY TENT HIRE & DECORATIONS

The Municipality erreneously made payment for an amount of R23 000 to Harry Tent Hire & Decorations. They directed a letter of demand to them but there was no response.

The lawyers are currently awaiting the Municipality's instruction regarding the taking of further instructions for the recovery of the above amount

24. Unauthorised expenditure

	2015	2014
Balance brought forward	189 104 950	40 618 963
Unauthorised expenditure for the current year	79 581 818	148 485 987
	268 686 768	**189 104 950**

25. Irregular expenditure

	2015	2014
Opening balance	348 155 607	18 347 353
Add: Irregular Expenditure - current year	266 065 164	329 808 254
	614 220 771	**348 155 607**

Figures in Rand	2015	2014

26. Fruitless and wasteful expenditure

Balance brought forward	69 367	-
Fruitless and wasteful expenditure - current year	-	69 367
Balance carried forward	**69 367**	**69 367**

Included in the above note is fruitless and wasteful expenditure that was identified by the Auditor General during the prior year audit, amounting to R69 367.

27. Going concern

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

28. Events after the reporting date

There were no events after reporting period date.

29. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	612 900 983	409 207 254
• Other	-	726 686
	612 900 983	**409 933 940**

Total capital commitments		
Already contracted for but not provided for	612 900 983	409 933 940

30. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks incude interest rate risk, credit risks and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

30. Risk management (continued)

Liquidity risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as is possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Credit risk

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

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

Market risk

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates. The entity's exposures to interest rates on financial assets and financial liabilities are detailed below.

At year-end, financial instruments exposed to interest rate risk were as follows:
- Call and notice deposits
- Development Bank of Southern Africa loans

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

31. Related parties

Relationships

Members of key management

Mr Z E L Tshetlho (Municipal Manager)
Ms Segomotso Phatudi (CFO)
M Makhonofane (Economic Development, Tourism)
Mr D Dambuza (Corporate Service)
Mr F Buys (Chief Internal Auditor)
Mr V Tlhabanelo (Community service)
E Moncho (Executive Support)
Mr W Jood (Engineering Service)

All councillors have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over the council in making financial and operational decisions.

During the financial year no councillor or official had any interest in related parties and no one could control or influence council in making financial or operational decisions.

The municipality had no other related party transactions or balances during the financial year outside of the contractual remuneration of senior management.

There are no share based payments.

Remuneration of councillors	**Salary**	**Travel allowance**	**Other allowances**	**Total Package**
MR CE Tladiyane - Executive Mayor	431 097	107 774	193 209	732 080
Cllr N.W. Skalk - Speaker	344 878	86 219	154 625	585 722
Cllr S.F. Kgodumo - MMC	323 323	80 831	149 319	553 473
Cllr M.K. Mojanaga - MMC	323 323	80 831	148 843	552 997
Cllr M.S. Moyake - MMC	323 323	80 831	142 996	547 150
Cllr K.G. Sereko - MMC	323 323	80 831	143 201	547 355
Cllr P.W. Kgosieng - MMC	323 323	80 831	156 719	560 873
Cllr M.S. Montshiwagae	323 323	80 831	142 977	547 131
Cllr. M.G. Tong	129 329	32 332	59 621	221 282
Cllr. L.E. Gaobepe-Boemo	1 984	496	859	3 339
Cllr. G. Toba	129 329	32 332	59 733	221 394
Cllr. M. Nchochoba	-	-	18 251	18 251
Cllr. Cllr. L. Motlapele	-	-	8 277	8 277
Cllr. C. Herbst	-	-	5 475	5 475
Cllr. I. Snyman	8 231	2 058	3 607	13 896
Cllr. A. Adonis	-	-	44 492	44 492
Cllr. D. Van Tonder	129 329	32 332	80 341	242 002
Cllr. T. Loabile	11 902	2 975	5 151	20 028
Cllr. D. Baepi	11 902	2 975	5 317	20 194
Cllr. G. Nthebotsenyane	11 902	2 975	5 277	20 154
Cllr. M.P. Letebele	129 329	32 332	79 916	241 577
Cllr. M.P. Ditshakane	-	-	34 831	34 831
Cllr. K. Molifi	-	-	13 738	13 738
Cllr. J. Halenyane	-	-	16 466	16 466
Cllr. M. S. Kanyane	-	-	24 785	24 785
Cllr. R. Mokoto	-	-	10 950	10 950
Cllr. O.V. Mongale	61 072	-	979	62 051
Cllr. J. Moncho	-	-	4 563	4 563
	3 340 222	**819 786**	**1 714 518**	**5 874 526**

Refer to note 15 for the detailed remuneration of Section 57 managers.

Figures in Rand	2015	2014

32. Prior period errors

The prior year has been amended to account for prior period errors.

Below is a summary of the individual prior period error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed:

1. Movement in receivables from exchange transactions was caused by write-offs that were processed during the current year.
2. Adjustments as a result of discrepancies between the GL and the SARS statements that were submitted.
3. Correction of the prior year closing balance for petty cash.
4. The movement in the property, plant & equipment balance is due to the capitalisation of WIP - additional assets, correction of prior year errors and related depreciation.
5. Being additions to intangible assets that were not disclosed.
6. Recognition of the current portion of the DBSA loan.
7. The movement in payables from exchange transactions is due to adjustments on accruals for the 2014 financial year.
8. Reclassification of the grant income to unspent conditional grant liability and also the adjustments on DWAF to correct prior year errors on recognition of receipts and conditions met
9. Recognition of the non-current portion of the DBSA loan as per the agreement.
10. Restatement of the closing balance for the provisions to align with the previous evaluator's report.
11. A combination of corrections in order to restate the 2012/14 closing balances.
12. Reclassification of interest earned.
13. Correction of the unspent grants balances, mainly the DWAF grant.
14. Correction of the provision expenses.
15. Correction of mapping errors.
16. Alignment of the depreciation with the corrected fixed asset register.
17. Recognition of the interest on the DBSA loan.
18. Correction of reclassification errors.
19. Correction of accruals and recognition of a debtor (ABSA).
20. Correction of reclassification errors.
21. Correction of reclassification errors.
22. Corrections to align the disposals to the fixed asset register.
23. Corrections to ensure completeness of the irregular expenditure register.
24. Updating thecommitments register to ensure completeness, and the removal of the not yet contracted for and authorised disclosure as this is not required by the standard.
25. Corrections to ensure completeness of the fruitless and wasteful expenditure register.
26. Corrections to ensure completeness of the unauthorised expenditure register.

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

Statement of financial position		
Receivables from exchange transactions - Error 1	-	(186 641)
VAT receivable - Error 2	-	6 868 239
Cash and cash equivalents - Error 3	-	(4 805)
Property, plant and equipment - Error 4	-	116 503 377
Intangible assets - Error 5	-	(447 156)
DBSA Loan - Error 6	-	1 200 000
Payables from exchange transactions - Error 7	-	29 576 728
Unspent conditional grants and receipts - Error 8	-	(57 220 366)
Provisions - Current -- Error 10	-	(479 579)
Provisions - Non Current - Error 10	-	(1 652 674)
DBSA Loan - Error 9	-	104 037 886
Accumulated surplus - Error 11	-	(198 195 008)

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

32. Prior period errors (continued)

Statement of Financial Performance		
Interest earned - external investment - Error 12	-	100 918
Government grants & subsidies - Error 13	-	9 945 671
Employee related costs - Error 14	-	2 312 049
Remuneration of councillors - Error 15	-	36 396
Depreciation and amortisation - Error 16	-	3 799 771
Finance costs - Error 17	-	(12 671 670)
Repairs and maintenance - Error 18	-	(175 915)
Bulk purchases - Error 19	-	(5 094 180)
Grants and subsidies paid - Error 20	-	735 369
General expenses - Error 21	-	(1 540 744)
Gain (loss) on disposal of assets and liabilities - Error 22	-	70 305

Disclosure Notes

Irregular expenditure - Error 23	-	(282 451 672)
Commitments - Error 24	-	(183 671 965)
Fruitless and wasteful expenditure - Error 25	-	(69 367)
Unauthorised expenditure - Error 26	-	(5 985 244)

33. Service in Kind

The Provincial Treasury has provided the municipality with support through the appointment of experts in financial management for the current financial period.