



Mangaung Metropolitan Municipality  
Annual financial statements  
for the year ended 30 June 2016

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## General Information

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<b>Legal form of entity</b>	Municipality
<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area
<b>Executive Mayor</b>	TM Manyoni
<b>Deputy Executive Mayor</b>	CLM Rampai (Late)
<b>Speaker</b>	MA Siyonzana
<b>Chief Whip</b>	ZE Mangcotywa
<b>Mayoral Committee members</b>	DM Sekakanyo KN Rabela LA Masoetsa MA Moeng MJ Matsoelane MM Tsomela NG Mokotjo SA Monnakgori XD Pongolo
<b>Grading of local authority</b>	Metropolitan
<b>Acting Accounting officer</b>	Adv TB Mea
<b>Chief Finance Officer (CFO)</b>	ME Mohlahlo
<b>Registered office and business address</b>	Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaf Street Bloemfontein 9301
<b>Postal address</b>	PO Box 3704 Bloemfontein 9301
<b>Bankers</b>	ABSA Development Bank of South Africa First National Bank Nedbank Limited Standard Bank of South Africa
<b>Auditors</b>	Auditor-General of South Africa
<b>Enabling legislation</b>	Municipal Finance Management Act, (Act 56 of 2003) Municipal Systems Act, (Act 32 of 2000) Municipal Structures Act, (Act 117 of 1998) Municipal Property Rates Act, (Act 6 of 2004) Division of Revenue Act, (Act 1 of 2015) Municipal Demarcation Act, (Act 27 of 1998)

# Mangaung Metropolitan Municipality

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

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## Abbreviations

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

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

## **Acting Accounting Officer's Responsibilities and Approval**

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The acting 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 acting accounting officer to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were 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 acting accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the acting accounting officer to meet these responsibilities, the acting accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

The acting 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 acting accounting officer has reviewed the entity's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future. Details regarding the assumptions have been included in note 60.

Although the acting accounting officer is primarily responsible for the financial affairs of the entity, he is supported by the entity's external auditors to express an independent opinion of the fair presentations of the annual financial statements.

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

The annual financial statements set out on pages 6 to 105, which have been prepared on the going concern basis, were approved and signed by the acting accounting officer on 31 August 2016:

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**Adv TB Mea**  
**Acting Accounting Officer**

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Acting Accounting Officer's Report

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The acting accounting officer submits his report for the year ended 30 June 2016.

### 1. Review of activities

#### Main business and operations

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

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

Net deficit of the entity was R 224,952,676 (2015: surplus R 77,509,006).

### 2. Going concern

I draw attention to the fact that at 30 June 2016, the entity had accumulated surplus of R 10,530,711,555 and that the entity's total assets exceed its liabilities by R 11,418,727,688.

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.

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 3 of 2016).

### 3. Subsequent events

On 2 July 2015 the Municipal Demarcation Board issued circular 8/2015 which re-determined certain municipal boundaries. As a result of this re-determination, the boundaries of Mangaung Metropolitan Municipality will extend to include Naledi Local Municipality and the town of Soutpan from Masilonyana Local Municipality. These changes are effective as of 3 August 2016.

On 8 July 2016 the Council resolved that 11 170 indigents be included in the indigent register. These indigents had outstanding balances amounting to R50,748,313 at the date of inclusion. Council approved the write off of these balances.

At the same meeting, Council approved the write off 4 673 accounts owed by disabled / pensioned indigents, with outstanding balances amounting to R23,714,052; and 77 housing rental accounts with outstanding balances amounting to R14,545.

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

None

### 5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board, and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003). The accounting policies are presented on pages 15 to 45, and unless indicated in note 2 are consistent with the prior year.

### 6. Accounting officer

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

Name	Nationality	Changes
SM Mazibuko	South African	Resigned 29 February 2016
Adv TB Mea	South African	Appointed to Acting Position - 15 December 2015

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Statement of Financial Position as at 30 June 2016**

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	4	351,167,137	254,137,843
Other receivables from non-exchange transactions	5	4,454,092	810,045
Other receivables from exchange transactions	6	34,325,339	28,931,660
Consumer receivables from non-exchange transactions	7	262,419,381	283,520,232
Consumer receivables from exchange transactions	8	450,909,821	412,908,989
Centlec Intercompany loan	9	917,500,570	709,344,553
VAT receivable	10	47,443,075	151,114,116
Cash and cash equivalents	11	61,967,778	224,833,758
Current portion of Centlec Receivables	17	7,225,291	7,300,043
		<b>2,137,412,484</b>	<b>2,072,901,239</b>
<b>Non-Current Assets</b>			
Investment property	12	1,497,507,000	1,636,496,363
Property, plant and equipment	13	10,268,276,493	9,480,716,005
Intangible assets	14	8,915,552	9,894,819
Heritage assets	15	321,568,687	321,568,687
Investments in controlled entities	16	100	100
Centlec Receivables	17	1,159,516,707	1,166,741,997
Non-current receivables	18	278,348	657,928
		<b>13,256,062,887</b>	<b>12,616,075,899</b>
<b>Total Assets</b>		<b>15,393,475,371</b>	<b>14,688,977,138</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	19	1,121,029,246	625,553,099
Payables from non-exchange transactions	20	286,199,407	279,414,560
Consumer deposits	21	33,728,408	30,872,092
Unspent conditional grants and receipts	22	106,083,319	107,483,829
Current portion of Finance lease obligation	23	42,373,894	40,940,164
Current portion of Borrowings	24	100,965,373	35,002,987
Current portion of Provisions	25	343,044,892	194,808,344
		<b>2,033,424,539</b>	<b>1,314,075,075</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	23	29,589,741	67,685,938
Borrowings	24	673,092,550	557,182,589
Provisions	25	114,292,451	237,691,924
Employee benefit obligation	26	723,671,000	642,594,000
FRESHCO liability	27	214,558,041	193,357,936
Land availability liability	28	186,119,361	31,575,456
		<b>1,941,323,144</b>	<b>1,730,087,843</b>
<b>Total Liabilities</b>		<b>3,974,747,683</b>	<b>3,044,162,918</b>
<b>Net Assets</b>		<b>11,418,727,688</b>	<b>11,644,814,220</b>
Reserves			
Revaluation reserve	29	870,504,253	893,325,183
Self insurance reserve	30	5,000,000	5,000,000
COID reserve	31	12,511,880	10,628,620
Accumulated surplus		10,530,711,555	10,735,860,417
<b>Total Net Assets</b>		<b>11,418,727,688</b>	<b>11,644,814,220</b>

\* See Note 57

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Statement of Financial Performance**

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	34	931,035,780	916,825,792
Rental of facilities and equipment	35	33,243,326	28,370,601
Income from agency services	36	96,009,980	108,370,538
Licences and permits		656,529	170,677
Other income from exchange transactions	37	61,994,170	51,780,281
Interest received	38	399,137,524	473,938,676
<b>Total revenue from exchange transactions</b>		<b>1,522,077,309</b>	<b>1,579,456,565</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	39	837,749,032	767,595,597
<b>Transfer revenue</b>			
Government grants & subsidies	40	1,710,171,686	1,608,312,776
Fines		51,082,513	77,671,023
Other income from non-exchange transactions	41	16,466,416	2,349,512
<b>Total revenue from non-exchange transactions</b>		<b>2,615,469,647</b>	<b>2,455,928,908</b>
<b>Total revenue</b>	33	<b>4,137,546,956</b>	<b>4,035,385,473</b>
<b>Expenditure</b>			
Employee related costs	42	(1,285,443,448)	(1,165,268,009)
Remuneration of councillors	43	(52,421,659)	(49,594,283)
Depreciation and amortisation	44	(568,085,196)	(557,051,856)
Impairment loss/ Reversal of impairments	45	-	(5,989,374)
Finance costs	46	(140,484,895)	(172,309,584)
Debt Impairment	47	(465,223,523)	(600,426,422)
Repairs and maintenance		(450,001,174)	(269,898,083)
Bulk purchases	48	(419,812,317)	(430,764,023)
Contracted services	49	(430,545,569)	(266,709,151)
Grants and subsidies paid	50	(43,780,813)	(46,256,139)
General expenses	51	(339,975,344)	(387,780,803)
<b>Total expenditure</b>		<b>(4,195,773,938)</b>	<b>(3,952,047,727)</b>
<b>Operating (deficit) surplus</b>		<b>(58,226,982)</b>	<b>83,337,746</b>
Loss on disposal of assets and liabilities		(27,219,553)	(9,092,423)
Fair value adjustments	52	(139,118,141)	9,683
Actuarial gains/losses	26	(388,000)	3,254,000
		<b>(166,725,694)</b>	<b>(5,828,740)</b>
<b>(Deficit) surplus for the year</b>		<b>(224,952,676)</b>	<b>77,509,006</b>

\* See Note 57



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Self Insurance reserve	COVID reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	896,853,430	5,000,000	8,934,693	910,788,123	10,517,790,075	11,428,578,198
Adjustments						
Prior year adjustments	8,504,058	-	-	8,504,058	129,625,188	138,129,246
<b>Balance at 01 July 2014 as restated*</b>	<b>905,357,488</b>	<b>5,000,000</b>	<b>8,934,693</b>	<b>919,292,181</b>	<b>10,647,415,263</b>	<b>11,566,707,444</b>
Changes in net assets						
Surplus for the year	-	-	-	-	77,509,006	77,509,006
Realisation of Revaluation Reserve	(12,032,305)	-	-	(12,032,305)	12,630,075	597,770
Contributions received	-	264,447	3,132,626	3,397,073	(3,397,073)	-
Insurance claims processed	-	(264,447)	(1,438,699)	(1,703,146)	1,703,146	-
Total changes	(12,032,305)	-	1,693,927	(10,338,378)	88,445,154	78,106,776
Opening balance as previously reported	884,821,124	5,000,000	10,628,620	900,449,744	10,692,768,369	11,593,218,113
Adjustments						
Prior year adjustments	8,504,059	-	-	8,504,059	43,092,052	51,596,111
<b>Balance at 01 July 2015 as restated*</b>	<b>893,325,183</b>	<b>5,000,000</b>	<b>10,628,620</b>	<b>908,953,803</b>	<b>10,735,860,421</b>	<b>11,644,814,224</b>
Changes in net assets						
Surplus for the year	-	-	-	-	(224,952,676)	(224,952,676)
Revaluation	(1,133,860)	-	-	(1,133,860)	-	(1,133,860)
Realisation of Revaluation Reserve	(21,687,070)	-	-	(21,687,070)	21,687,070	-
Contributions received	-	180,770	3,393,230	3,574,000	(3,574,000)	-
Insurance claims processed	-	(180,770)	(1,509,970)	(1,690,740)	1,690,740	-
Total changes	(22,820,930)	-	1,883,260	(20,937,670)	(205,148,866)	(226,086,536)
<b>Balance at 30 June 2016</b>	<b>870,504,253</b>	<b>5,000,000</b>	<b>12,511,880</b>	<b>888,016,133</b>	<b>10,530,711,555</b>	<b>11,418,727,688</b>
Note(s)	29	30	31			

\* See Note 57

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Cash Flow Statement**

Figures in Rand	Note(s)	2016	2015 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		1,426,558,478	1,266,972,978
Grants		1,708,771,176	1,612,093,491
Interest income		181,320,702	193,826,462
		<u>3,316,650,356</u>	<u>3,072,892,931</u>
<b>Payments</b>			
Employee costs		(1,317,550,107)	(1,179,194,290)
Suppliers		(1,104,798,950)	(1,466,112,568)
Finance costs		112,970,829	260,460,078
		<u>(2,309,378,228)</u>	<u>(2,384,846,780)</u>
<b>Net cash flows from operating activities</b>	53	<b><u>1,007,272,128</u></b>	<b><u>688,046,151</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	13	(1,238,344,211)	(916,374,881)
Purchase of investment property	12	(129,387)	6,537,000
Purchase of other intangible assets	14	-	(1,973,431)
Purchases of heritage assets	15	-	(7,614,462)
Proceeds from sale of financial assets		380,189	(446,252)
		<u>(1,238,093,409)</u>	<u>(919,872,026)</u>
<b>Net cash flows from investing activities</b>		<b><u>(1,238,093,409)</u></b>	<b><u>(919,872,026)</u></b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		181,872,347	400,322,111
Interest (paid) / received		(80,110,895)	(43,811,235)
Finance lease payments		(36,662,467)	(34,584,684)
Consumer deposits		2,856,316	2,342,916
		<u>67,955,301</u>	<u>324,269,108</u>
<b>Net cash flows from financing activities</b>		<b><u>67,955,301</u></b>	<b><u>324,269,108</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>(162,865,980)</u></b>	<b><u>92,443,233</u></b>
Cash and cash equivalents at the beginning of the year		224,833,758	132,390,525
<b>Cash and cash equivalents at the end of the year</b>	11	<b><u>61,967,778</u></b>	<b><u>224,833,758</u></b>

\* See Note 57

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 68
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Property rates	913,072,817	(167,761,698)	<b>745,311,119</b>	837,749,032	<b>92,437,913</b>	A1;B1
Service charges	1,204,582,436	(254,320,100)	<b>950,262,336</b>	931,035,780	<b>(19,226,556)</b>	A2;B2
Investment revenue	47,796,145	-	<b>47,796,145</b>	95,105,675	<b>47,309,530</b>	B3
Transfers recognised - operational	615,255,000	17,792,291	<b>633,047,291</b>	655,808,218	<b>22,760,927</b>	A3;B4
Other own revenue	1,311,406,682	6,960,119	<b>1,318,366,801</b>	686,473,799	<b>(631,893,002)</b>	A4;B5
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>4,092,113,080</b>	<b>(397,329,388)</b>	<b>3,694,783,692</b>	<b>3,206,172,504</b>	<b>(488,611,188)</b>	
<b>Expenditure by type</b>						
Employee costs	(1,433,392,645)	120,881,284	<b>(1,312,511,361)</b>	(1,285,443,445)	<b>27,067,916</b>	A5;B6
Remuneration of councillors	(52,671,527)	-	<b>(52,671,527)</b>	(52,421,659)	<b>249,868</b>	
Debt impairment	(224,626,112)	-	<b>(224,626,112)</b>	(465,223,523)	<b>(240,597,411)</b>	B7
Depreciation & asset impairment	(410,776,713)	-	<b>(410,776,713)</b>	(568,085,196)	<b>(157,308,483)</b>	B8
Finance charges	(216,180,121)	84,240,650	<b>(131,939,471)</b>	(140,484,895)	<b>(8,545,424)</b>	A6;B9
Materials and bulk purchases	(717,962,951)	(77,794,169)	<b>(795,757,120)</b>	(858,195,976)	<b>(62,438,856)</b>	A7;B10
Transfers and grants	(103,610,826)	32,568,464	<b>(71,042,362)</b>	(43,632,021)	<b>27,410,341</b>	A8;B11
Other expenditure	(726,744,748)	(79,961,162)	<b>(806,705,910)</b>	(811,073,924)	<b>(4,368,014)</b>	A9;B12
<b>Total expenditure</b>	<b>(3,885,965,643)</b>	<b>79,935,067</b>	<b>(3,806,030,576)</b>	<b>(4,224,560,639)</b>	<b>(418,530,063)</b>	
<b>Surplus / (Deficit)</b>	<b>206,147,437</b>	<b>(317,394,321)</b>	<b>(111,246,884)</b>	<b>(1,018,388,135)</b>	<b>(907,141,251)</b>	
Transfers recognised - capital	754,004,000	106,861,581	<b>860,865,581</b>	793,435,468	<b>(67,430,113)</b>	A3;B4
Contributions recognised - capital & contributed assets	-	-	-	1,000	<b>1,000</b>	
<b>Surplus / (Deficit) after capital transfers &amp; contributions</b>	<b>960,151,437</b>	<b>(210,532,740)</b>	<b>749,618,697</b>	<b>(224,951,667)</b>	<b>(974,570,364)</b>	
<b>Surplus / (Deficit) for the year</b>	<b>960,151,437</b>	<b>(210,532,740)</b>	<b>749,618,697</b>	<b>(224,951,667)</b>	<b>(974,570,364)</b>	
<b>Reconciliation</b>						
<b>Total Revenue Reconciliation</b>						
Actuarial gains/losses				388,000		R1
Fair value adjustments				(139,118,141)		R1
<b>Total Expenses Reconciliation</b>						
Actuarial gains/losses				(388,000)		R1
Fair value adjustments				139,118,141		R1
<b>Actual Amount in the Statement of Financial Performance</b>				<b>(224,951,667)</b>		

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Statement of Comparison of Budget and Actual Amounts**

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 68
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash	12,866,980	925,335	<b>13,792,315</b>	45,616,268	<b>31,823,953</b>	A10;B13
Call investment deposits	211,507,589	(150,896,604)	<b>60,610,985</b>	16,351,510	<b>(44,259,475)</b>	A10;B13
Consumer debtors	1,124,595,575	-	<b>1,124,595,575</b>	713,329,201	<b>(411,266,374)</b>	A10;B13
Other debtors	869,558,548	-	<b>869,558,548</b>	38,779,431	<b>(830,779,117)</b>	A10;B13
Current portion of long-term receivables	14,408,692	-	<b>14,408,692</b>	924,725,861	<b>910,317,169</b>	A10;B13
Inventory	101,339,651	-	<b>101,339,651</b>	351,167,137	<b>249,827,486</b>	A10;B13
	<b>2,334,277,035</b>	<b>(149,971,269)</b>	<b>2,184,305,766</b>	<b>2,089,969,408</b>	<b>(94,336,358)</b>	
<b>Non-Current Assets</b>						
Long-term receivables	15,099,978	-	<b>15,099,978</b>	278,347	<b>(14,821,631)</b>	A10;B13
Investments	18,000	-	<b>18,000</b>	100	<b>(17,900)</b>	A10;B13
Investment property	249,528,038	-	<b>249,528,038</b>	1,497,507,000	<b>1,247,978,962</b>	A10;B13
Property, plant and equipment	10,508,346,473	92,796,769	<b>10,601,143,242</b>	10,589,845,177	<b>(11,298,065)</b>	A10;B13
Intangible	235,099,020	-	<b>235,099,020</b>	8,915,551	<b>(226,183,469)</b>	A10;B13
Other non-current assets	15,892,876	-	<b>15,892,876</b>	-	<b>(15,892,876)</b>	A10;B13
Centlec Receivables	2,917,642,000	(1,124,041,000)	<b>1,793,601,000</b>	1,159,516,707	<b>(634,084,293)</b>	A10;B13
	<b>13,941,626,385</b>	<b>(1,031,244,231)</b>	<b>12,910,382,154</b>	<b>13,256,062,882</b>	<b>345,680,728</b>	
<b>Total Assets</b>	<b>16,275,903,420</b>	<b>(1,181,215,500)</b>	<b>15,094,687,920</b>	<b>15,346,032,290</b>	<b>251,344,370</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Centlec payables	1,200,389,000	(944,728,000)	<b>255,661,000</b>	-	<b>(255,661,000)</b>	A10;B13
Borrowing	120,157,767	-	<b>120,157,767</b>	143,339,267	<b>23,181,500</b>	A10;B13
Consumer deposits	29,000,395	-	<b>29,000,395</b>	33,728,408	<b>4,728,013</b>	A10;B13
Trade and other payables	1,013,638,468	47,350,213	<b>1,060,988,681</b>	1,465,868,890	<b>404,880,209</b>	A10;B13
Provisions	149,558,075	-	<b>149,558,075</b>	343,044,892	<b>193,486,817</b>	A10;B13
	<b>2,512,743,705</b>	<b>(897,377,787)</b>	<b>1,615,365,918</b>	<b>1,985,981,457</b>	<b>370,615,539</b>	
<b>Non-Current Liabilities</b>						
Borrowing	605,512,000	-	<b>605,512,000</b>	1,103,359,694	<b>497,847,694</b>	A10;B13
Provisions	1,186,127,259	-	<b>1,186,127,259</b>	837,963,451	<b>(348,163,808)</b>	A10;B13
	<b>1,791,639,259</b>	-	<b>1,791,639,259</b>	<b>1,941,323,145</b>	<b>149,683,886</b>	
<b>Total Liabilities</b>	<b>4,304,382,964</b>	<b>(897,377,787)</b>	<b>3,407,005,177</b>	<b>3,927,304,602</b>	<b>520,299,425</b>	
<b>Net Assets</b>	<b>11,971,520,456</b>	<b>(283,837,713)</b>	<b>11,687,682,743</b>	<b>11,418,727,688</b>	<b>(268,955,055)</b>	
<b>Community wealth/equity</b>						
Accumulated Surplus/(Deficit)	11,186,797,850	381,108,287	<b>11,567,906,137</b>	10,530,711,556	<b>(1,037,194,581)</b>	A10;B13
Reserves	784,722,606	(664,946,000)	<b>119,776,606</b>	888,016,132	<b>768,239,526</b>	A10;B13
<b>Total community wealth/equity</b>	<b>11,971,520,456</b>	<b>(283,837,713)</b>	<b>11,687,682,743</b>	<b>11,418,727,688</b>	<b>(268,955,055)</b>	

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference Note 68
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Ratepayers and other	2,829,195,418	(349,700,021)	<b>2,479,495,397</b>	1,426,558,478	<b>(1,052,936,919)</b>	A11;B14
Government - operating	615,255,000	(2,029,000)	<b>613,226,000</b>	918,761,614	<b>305,535,614</b>	A11;B14
Government - capital	754,004,000	(7,660,000)	<b>746,344,000</b>	790,009,562	<b>43,665,562</b>	A11;B14
Interest	286,286,493	(146,069,747)	<b>140,216,746</b>	181,320,702	<b>41,103,956</b>	A11;B14
	<b>4,484,740,911</b>	<b>(505,458,768)</b>	<b>3,979,282,143</b>	<b>3,316,650,356</b>	<b>(662,631,787)</b>	
<b>Payments</b>						
Suppliers and employees	(2,790,895,910)	52,862,430	<b>(2,738,033,480)</b>	(2,309,378,229)	<b>428,655,251</b>	A11;B14
Finance charges	(205,371,115)	92,372,565	<b>(112,998,550)</b>	-	<b>112,998,550</b>	A11;B14
Transfers and Grants	(43,015,663)	38,696,018	<b>(4,319,645)</b>	-	<b>4,319,645</b>	A11;B14
	<b>(3,039,282,688)</b>	<b>183,931,013</b>	<b>(2,855,351,675)</b>	<b>(2,309,378,229)</b>	<b>545,973,446</b>	
<b>Net cash flows from operating activities</b>	<b>1,445,458,223</b>	<b>(321,527,755)</b>	<b>1,123,930,468</b>	<b>1,007,272,127</b>	<b>(116,658,341)</b>	
<b>Cash flows from investing activities</b>						
<b>Receipts</b>						
Proceeds on disposal of PPE	-	(267,500)	<b>(267,500)</b>	-	<b>267,500</b>	A11;B14
Decrease (increase) other non-current receivables	-	-	-	380,172	<b>380,172</b>	B14
	-	<b>(267,500)</b>	<b>(267,500)</b>	<b>380,172</b>	<b>647,672</b>	
<b>Payments</b>						
Capital assets	(1,321,680,322)	(42,617,513)	<b>(1,364,297,835)</b>	(1,238,473,601)	<b>125,824,234</b>	A11;B14
<b>Net cash flows from investing activities</b>	<b>(1,321,680,322)</b>	<b>(42,885,013)</b>	<b>(1,364,565,335)</b>	<b>(1,238,093,429)</b>	<b>126,471,906</b>	
<b>Cash flows from financing activities</b>						
<b>Receipts</b>						
Borrowing long term/refinancing	173,000,000	-	<b>173,000,000</b>	181,872,347	<b>8,872,347</b>	A11;B14
Increase (decrease) in consumer deposits	6,000,000	(4,001,070)	<b>1,998,930</b>	2,856,316	<b>857,386</b>	A11;B14
	<b>179,000,000</b>	<b>(4,001,070)</b>	<b>174,998,930</b>	<b>184,728,663</b>	<b>9,729,733</b>	
<b>Payments</b>						
Repayment of borrowing	(131,135,568)	19,670,335	<b>(111,465,233)</b>	(116,773,362)	<b>(5,308,129)</b>	A11;B14
<b>Net cash flows from investing activities</b>	<b>47,864,432</b>	<b>15,669,265</b>	<b>63,533,697</b>	<b>67,955,301</b>	<b>4,421,604</b>	
Net increase/(decrease) in cash held	171,642,333	(348,743,503)	<b>(177,101,170)</b>	(162,866,001)	<b>14,235,169</b>	
Cash/cash equivalents at the year begin:	127,349,735	50,001,402	<b>177,351,137</b>	224,833,757	<b>47,482,620</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>298,992,068</b>	<b>(298,742,101)</b>	<b>249,967</b>	<b>61,967,756</b>	<b>61,717,789</b>	

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2016</b>											
<b>Financial Performance</b>											
Property rates	913,072,817	(167,761,698)	745,311,119	-	-	745,311,119	837,749,032	-	92,437,913	112 %	92 %
Service charges	1,204,582,436	(254,320,100)	950,262,336	-	-	950,262,336	931,035,780	-	(19,226,556)	98 %	77 %
Investment revenue	193,194,684	-	193,194,684	-	-	193,194,684	262,723,263	-	69,528,579	136 %	136 %
Transfers recognised - operational	615,255,000	17,792,291	633,047,291	-	-	633,047,291	655,808,218	-	22,760,927	104 %	107 %
Other own revenue	1,166,008,143	6,960,119	1,172,968,262	-	-	1,172,968,262	644,174,090	-	(528,794,172)	55 %	55 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>4,092,113,080</b>	<b>(397,329,388)</b>	<b>3,694,783,692</b>	<b>-</b>	<b>-</b>	<b>3,694,783,692</b>	<b>3,331,490,383</b>	<b>-</b>	<b>(363,293,309)</b>	<b>90 %</b>	<b>81 %</b>
Employee costs	(1,433,392,645)	121,035,137	(1,312,357,508)	-	-	(1,312,357,508)	(1,280,974,331)	-	31,383,177	98 %	89 %
Remuneration of councillors	(52,671,527)	-	(52,671,527)	-	-	(52,671,527)	(52,421,659)	-	249,868	100 %	100 %
Debt impairment	(224,626,112)	-	(224,626,112)	-	-	(224,626,112)	(465,223,523)	-	(240,597,411)	207 %	207 %
Depreciation and asset impairment	(410,776,713)	-	(410,776,713)	-	-	(410,776,713)	(568,085,196)	-	(157,308,483)	138 %	138 %
Finance charges	(216,180,121)	83,240,650	(132,939,471)	-	-	(132,939,471)	(140,484,895)	-	(7,545,424)	106 %	65 %
Materials and bulk purchases	(450,572,676)	-	(450,572,676)	-	-	(450,572,676)	(419,812,317)	-	30,760,359	93 %	93 %
Transfers and grants	(103,610,826)	32,568,464	(71,042,362)	-	-	(71,042,362)	(43,780,813)	-	27,261,549	62 %	42 %
Other expenditure	(994,135,023)	(156,755,331)	(1,150,890,354)	-	-	(1,150,890,354)	(1,387,840,491)	-	(236,950,137)	121 %	140 %
<b>Total expenditure</b>	<b>(3,885,965,643)</b>	<b>80,088,920</b>	<b>(3,805,876,723)</b>	<b>-</b>	<b>-</b>	<b>(3,805,876,723)</b>	<b>(4,358,623,225)</b>	<b>-</b>	<b>(552,746,502)</b>	<b>115 %</b>	<b>112 %</b>
<b>Surplus/(Deficit)</b>	<b>206,147,437</b>	<b>(317,240,468)</b>	<b>(111,093,031)</b>	<b>-</b>	<b>-</b>	<b>(111,093,031)</b>	<b>(1,027,132,842)</b>	<b>-</b>	<b>(916,039,811)</b>	<b>925 %</b>	<b>(498)%</b>
Transfers recognised - capital	754,004,000	106,861,581	860,865,581	-	-	860,865,581	790,009,562	-	(70,856,019)	92 %	105 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	12,902,770	-	12,902,770	DIV/0 %	DIV/0 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>960,151,437</b>	<b>(210,378,887)</b>	<b>749,772,550</b>	<b>-</b>	<b>-</b>	<b>749,772,550</b>	<b>(224,220,510)</b>	<b>-</b>	<b>(973,993,060)</b>	<b>(30)%</b>	<b>(23)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>960,151,437</b>	<b>(210,378,887)</b>	<b>749,772,550</b>	<b>-</b>	<b>-</b>	<b>749,772,550</b>	<b>(224,220,510)</b>	<b>-</b>	<b>(973,993,060)</b>	<b>(30)%</b>	<b>(23)%</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	1,468,533,691	136,523,070	1,605,056,761	-		1,605,056,761	1,226,755,391		(378,301,370)	76 %	84 %
<b>Cash flows</b>											
Net cash from (used) operating	-	-	-	-		-	1,007,272,128		1,007,272,128	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-	-	-		-	(1,238,093,409)		(1,238,093,409)	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-	-	-		-	67,955,301		67,955,301	DIV/0 %	DIV/0 %
<b>Net increase/(decrease) in cash and cash equivalents</b>	-	-	-	-		-	<b>(162,865,980)</b>		<b>(162,865,980)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	224,833,758		224,833,758	DIV/0 %	DIV/0 %
<b>Cash and cash equivalents at year end</b>	-	-	-	-		-	<b>61,967,778</b>		<b>(61,967,778)</b>	<b>DIV/0 %</b>	<b>DIV/0 %</b>

## **Accounting Policies**

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### **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.

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

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

These accounting policies are consistent with the previous period.

#### **1.1 Going concern assumption**

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

#### **1.2 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, loans and other receivables**

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

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

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

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

##### **Fair value estimation**

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

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

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

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



## **Accounting Policies**

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### **1.2 Significant judgements and sources of estimation uncertainty (continued)**

#### **Impairment testing**

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

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

#### **Provisions**

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

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

#### **Useful lives and residual values**

The entity's management determines the estimated useful lives, residual values and related depreciation charges for assets as noted in accounting policy 1.4 - Property, plant and equipment. These estimates are based on industry norms.

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

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

#### **Post retirement benefits**

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

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

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

### **1.3 Investment property**

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

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

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

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

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

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

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

## **Accounting Policies**

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### **1.3 Investment property (continued)**

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

#### **Fair value**

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

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

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

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

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

#### **Derecognition**

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

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

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

### **1.4 Property, plant and equipment**

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or 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 an item of property, plant and equipment. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

## Accounting Policies

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

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

#### Subsequent measurement:

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings and zoo animals which 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 by registered valuers for every class separately.

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

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

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

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

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

#### Depreciation and impairment:

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

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

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

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

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

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

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

## Accounting Policies

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

Other assets Straight line 3-35

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.

#### Derecognition:

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

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

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

### 1.5 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

### 1.6 Intangible assets

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

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

## **Accounting Policies**

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### **1.6 Intangible assets (continued)**

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.

Intangible assets are initially recognised at cost.

#### **Subsequent measurement:**

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

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

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

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

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

<b>Item</b>	<b>Useful life</b>
Computer software	3-30 years
Servitudes	Indefinite

#### **Derecognition:**

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

### **1.7 Heritage assets**

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

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

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

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

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

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

#### **Recognition**

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

## **Accounting Policies**

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### **1.7 Heritage assets (continued)**

#### **Initial measurement**

Heritage assets are measured at cost.

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

#### **Subsequent measurement**

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

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

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

#### **Impairment**

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

#### **Transfers**

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

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

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

#### **Derecognition**

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

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

### **1.8 Investments in controlled entities**

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

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

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

### **1.9 Financial instruments**

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

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

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.

## Accounting Policies

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### 1.9 Financial instruments (continued)

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

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

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

A financial asset is:

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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### 1.9 Financial instruments (continued)

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

#### Classification

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

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

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

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

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



## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

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

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

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

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

#### **Fair value measurement considerations**

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

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

#### **Reclassification**

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

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

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

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

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

#### **Gains and losses**

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

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

#### **Impairment and uncollectibility of financial assets**

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

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

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

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

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

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

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

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

Refer to notes 5, 6, 7 and 8 for the impact of the above application.

Financial assets measured at amortised cost:

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

## **Accounting Policies**

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### **1.9 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.

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).

## **Accounting Policies**

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### **1.9 Financial instruments (continued)**

#### **Presentation**

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

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

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

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

### **1.10 Tax**

#### **VAT**

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

### **1.11 Leases**

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

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

#### **Finance leases - lessee**

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

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

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

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

#### **Operating leases - lessor**

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

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

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

Income for leases is disclosed under revenue in 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.

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

## **Accounting Policies**

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### **1.12 Inventories**

The entity recognises inventories as an asset when;

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

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

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

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

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

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

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

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

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

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

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

### **1.13 Impairment of cash-generating assets**

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

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

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

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

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

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

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

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

Useful life is either:

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

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

## **Accounting Policies**

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### **1.13 Impairment of cash-generating assets (continued)**

#### **Identification**

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

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

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

#### **Value in use**

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

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

#### **Discount rate**

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

#### **Recognition and measurement (individual asset)**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

## **Accounting Policies**

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### **1.13 Impairment of cash-generating assets (continued)**

#### **Cash-generating units**

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

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

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

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

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

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

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

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

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

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

#### **Reversal of impairment loss**

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

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

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

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

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

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

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

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

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

## **Accounting Policies**

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### **1.13 Impairment of cash-generating assets (continued)**

#### **Redesignation**

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

### **1.14 Impairment of non-cash-generating assets**

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

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

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

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

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

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

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

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

Useful life is either:

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

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

#### **Identification**

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

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

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



## **Accounting Policies**

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### **1.14 Impairment of non-cash-generating assets (continued)**

#### **Value in use**

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

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

#### **Depreciated replacement cost approach**

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

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

#### **Restoration cost approach**

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

#### **Service units approach**

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

#### **Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

## **Accounting Policies**

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### **1.14 Impairment of non-cash-generating assets (continued)**

#### **Reversal of an impairment loss**

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

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

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

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

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

#### **Redesignation**

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

### **1.15 Advance receipts**

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

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

All receipts received in advance are classified as non-exchange transactions as no approximate equal value is exchanged between the parties. Refer to note 20 Payables from non-exchange transactions where these receipts in advance are disclosed.

### **1.16 Employee benefits**

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

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

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

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

## **Accounting Policies**

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### **1.16 Employee benefits (continued)**

#### **Short-term employee benefits**

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

Short-term employee benefits include items such as:

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

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

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

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

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

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

#### **Post-employment benefits**

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

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

## **Accounting Policies**

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### **1.16 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.

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).

## Accounting Policies

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### 1.16 Employee benefits (continued)

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

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

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

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

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

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

Before determining the effect of a curtailment or settlement, the entity re-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.

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Actuarial assumptions are included in note 26 - Employee benefit obligations.

## **Accounting Policies**

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### **1.16 Employee benefits (continued)**

#### **Other post retirement obligations**

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

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

### **1.17 Provisions and contingencies**

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating 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.

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

## **Accounting Policies**

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### **1.17 Provisions and contingencies (continued)**

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

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

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

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

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

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

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

### **Decommissioning, restoration and similar liability**

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

### **1.18 Commitments**

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 54.

The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

## **Accounting Policies**

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### **1.19 Housing development arrangements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **1.20 Internal reserves**

#### **Self insurance reserve**

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

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



## **Accounting Policies**

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### **1.20 Internal reserves (continued)**

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

The Compensation for Occupational Injuries and Diseases Act, (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense. The entity is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the entity is mandated to establish its own fund and administers this fund in terms of the COID Act.

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

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

#### **1.21 Revaluation reserve**

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

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

#### **1.22 Revenue from exchange transactions**

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

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

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

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

#### **Measurement**

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

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

#### **Sale of goods**

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

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

## **Accounting Policies**

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### **1.22 Revenue from exchange transactions (continued)**

#### **Rendering of services**

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

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

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

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

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

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

#### **Interest**

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

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

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

#### **Rental income**

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

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

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

### **1.23 Revenue from non-exchange transactions**

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

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

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

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

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

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

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

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

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

## **Accounting Policies**

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### **1.23 Revenue from non-exchange transactions (continued)**

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

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

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

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

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

#### **Recognition**

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

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

#### **Measurement**

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

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

#### **Taxes**

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

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

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

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

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

#### **Transfers**

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

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

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

#### **Debt forgiveness and assumption of liabilities**

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

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

## **Accounting Policies**

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### **1.23 Revenue from non-exchange transactions (continued)**

#### **Fines**

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

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

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

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

#### **Bequests**

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

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

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

#### **Services in-kind**

Services in-kind are not recognised.

#### **Concessionary loans received**

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

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

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

### **1.24 Conditional grants and receipts**

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

### **1.25 Investment income**

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

### **1.26 Borrowing costs**

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

### **1.27 Bonus pensionable service and medical boardings**

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

### **1.28 Comparative figures**

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

The comparative figures have been restated.

### **1.29 Unauthorised expenditure**

Unauthorised expenditure means:

## Accounting Policies

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### 1.29 Unauthorised expenditure (continued)

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

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

Detailed disclosures are made in note 61 to the financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

### 1.30 Fruitless and wasteful expenditure

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

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

Detailed disclosures are made in note 62 to the financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

### 1.31 Irregular expenditure

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

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

Irregular expenditure excludes unauthorised expenditure.

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

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

### 1.32 Budget information

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

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

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

The approved budget covers the fiscal period from 1 July 2015 to 30 June 2016.

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

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note 68 to the annual financial statements.

### 1.33 Related parties

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

## **Accounting Policies**

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### **1.33 Related parties (continued)**

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

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

Close members of the family of 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 entity.

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

### **1.34 Offsetting**

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

### **1.35 Segment information**

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

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

### **1.36 Events after reporting date**

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

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

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

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

2016

2015

### 2. New standards and interpretations

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 105: Transfers of functions between entities under common control	1 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements.
GRAP 106: Transfers of functions between entities not under common control	1 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements.
GRAP 107: Mergers	1 April 2015	It is unlikely that the standard will have a material impact on the annual financial statements.

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

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> <li>GRAP 18: Segment Reporting</li> </ul>	No date has been determined	It is unlikely that the standard will have a material impact on the annual financial statements. Municipalities and municipal entities are not required to apply or early adopt GRAP 18 Segment Reporting as the Minister of Finance has not yet determined the effective date for application by these entities.
<ul style="list-style-type: none"> <li>GRAP 20: Related parties</li> </ul>	No date has been determined	The main impact is expected to affect the disclosure of a more disaggregated councillor remuneration
<ul style="list-style-type: none"> <li>GRAP 32: Service Concession Arrangements: Grantor</li> </ul>	No date has been determined	The most significant change relates to the separate disclosure of service concession assets included in Property, Plant and Equipment. It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>GRAP 108: Statutory Receivables</li> </ul>	No date has been determined	It is unlikely that the standard will have a material impact on the annual financial statements.
<ul style="list-style-type: none"> <li>IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset</li> <li>GRAP 16 (as amended 2015): Investment Property</li> </ul>	No date has been determined 01 April 2016	The impact of the amendment is not material It is unlikely that the standard will have a material impact on the annual financial statements as the amendments provide additional clarity on the identification of investment property

## Notes to the Annual Financial Statements

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

<ul style="list-style-type: none"> <li>• GRAP 17 (as amended 2015): Property, Plant and Equipment</li>   <li>• GRAP 109: Accounting by Principals and Agents</li>   <li>• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets</li>   <li>• GRAP 26 (as amended 2015): Impairment of cash-generating assets</li>   <li>• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities</li> </ul>	<p>01 April 2016</p> <p>01 April 2017</p> <p>01 April 2017</p> <p>01 April 2017</p> <p>01 April 2018</p>	<p>The most significant change relates to the additional disclosure regarding capital work in progress impacting the various asset categories. It is unlikely that the standard will have a material impact on the annual financial statements.</p> <p>The amendments provide additional guidance on distinguishing cash-generating assets vs non-cash generating assets. The amendments also require additional disclosure on assumptions made.</p> <p>The amendments provide additional guidance on distinguishing cash-generating assets vs non-cash generating assets. The amendments also require additional disclosure on assumptions made.</p> <p>This directive will not have an effect on the annual financial statements as is it issued for Public Entities, and will not be applicable to municipalities.</p>
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### 3. Change in estimate

#### Intangible assets

In the current period management have revised their estimated useful life of the Freshmark System. The remaining useful life of the system is estimated to be 2 years from 30 June 2016. The effect on the depreciation for the current year is a decrease from R1,968 to R655 for the year.

### 4. Inventories

Consumable stores	9,467,720	7,688,982
Maintenance materials	1,343,546	948,999
Unsold Properties Held for Resale	337,613,280	241,450,290
Fuel (Diesel, Petrol)	375,918	1,989,782
Water in reservoirs	1,824,020	1,591,816
Water in pipes	542,653	467,974
	<b>351,167,137</b>	<b>254,137,843</b>

#### Inventory recognised as an expense

Inventories recognised as an expense during the year	12,155,477	9,110,349
Inventory written off	867,222	1,149,357
	<b>13,022,699</b>	<b>10,259,706</b>

#### Inventory pledged as security

No inventory was pledged as security for any financial liability

### 5. Other receivables from non-exchange transactions

Fines Receivables	192,120,152	148,107,402
Impairment of Fines Receivables	(187,666,060)	(147,297,357)
	<b>4,454,092</b>	<b>810,045</b>

Fines Receivables consists out of debtors raised from Fines Revenue as disclosed in note 33



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

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### 5. Other receivables from non-exchange transactions (continued)

#### Other receivables from non-exchange pledged as security

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

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

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

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

The entity does not hold any collateral as security.

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

As of 30 June 2016, other receivables from non-exchange transactions of R 187,666,060 (2015: R 147,297,357) were impaired and provided for.

The amount of the provision was R 187,666,060 as of 30 June 2016 (2015: R 147,297,357).

#### Reconciliation of provision for impairment of other receivables from non-exchange transactions

Opening balance	147,297,357	73,752,531
Provision for impairment	40,368,703	73,544,826
	<b>187,666,060</b>	<b>147,297,357</b>

### 6. Other receivables from exchange transactions

Interest on Investments	18,873	26,204
Staff leave days receivable	1,754,701	1,294,038
Sundry debtors	47,665,544	41,867,347
Sundry debtors - Impairment	(15,113,779)	(14,255,929)
	<b>34,325,339</b>	<b>28,931,660</b>

#### Other receivables from exchange transactions pledged as security

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

#### Credit quality of other receivables from exchange transactions

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

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

#### Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 2,345,855 (2015: R 3,701,341) were past due but not impaired.

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

1 month past due	1,475,176	2,314,914
2 months past due	870,679	1,386,427

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>6. Other receivables from exchange transactions (continued)</b>		
<b>Other receivables from exchange transactions impaired</b>		
As of 30 June 2016, other receivables from exchange transactions of R 15,104,883 (2015: R 14,255,929) were impaired and provided for.		
The amount of the provision was R 15,104,883 as of 30 June 2016 (2015: R 14,255,929).		
The ageing of these receivables is as follows:		
Over 3 months	15,104,883	14,255,929
<b>Reconciliation of provision for impairment of other receivables from exchange transactions</b>		
Opening balance	14,255,929	7,575,331
Provision for impairment	(1,561,167)	27,369,209
Amounts written off as uncollectible	2,410,120	(20,688,611)
	<b>15,104,882</b>	<b>14,255,929</b>
Sundry debtors consist out of debtors raised from other income from exchange transactions recognised (refer to note 37).		
Due to the limitations on the financial system it is impractical to disclose the impaired interest on other receivables from exchange transactions.		
<b>7. Consumer receivables from non-exchange transactions</b>		
Rates	262,419,381	283,520,232
Rates - Gross balance	837,068,534	836,557,150
Rates - Impairment	(574,649,153)	(553,036,918)
	<b>262,419,381</b>	<b>283,520,232</b>
<b>Rates ageing</b>		
Current (0 - 30 days)	61,791,905	59,950,027
31 - 60 days	36,556,563	47,711,977
61 - 90 days	30,863,664	41,033,025
91+ days	707,785,038	687,862,121
Gross balance	836,997,170	836,557,150
Less: Impairment	(574,577,789)	(553,036,918)
	<b>262,419,381</b>	<b>283,520,232</b>
<b>Summary by customer classification</b>		
<b>Residential and sundry</b>		
Current (0 - 30 days)	24,517,658	23,664,290
31 - 60 days	14,547,925	15,388,554
61 - 90 days	12,585,008	12,196,922
91+ days	357,607,865	302,402,940
Subtotal	409,258,456	353,652,706
Less: Impairment	(342,806,286)	(286,821,996)
	<b>66,452,170</b>	<b>66,830,710</b>
<b>Business / Commercial</b>		
Current (0 - 30 days)	24,444,997	27,551,034
31 - 60 days	11,868,048	19,464,416
61 - 90 days	9,556,792	16,356,896
91+ days	253,675,353	301,205,551
Subtotal	299,545,190	364,577,897
Less: Impairment	(231,771,503)	(266,214,922)
	<b>67,773,687</b>	<b>98,362,975</b>

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>7. Consumer receivables from non-exchange transactions (continued)</b>		
<b>Government</b>		
Current (0 - 30 days)	12,829,250	8,734,703
31 - 60 days	10,140,591	12,859,007
61 - 90 days	8,721,864	12,479,207
91+ days	101,082,248	178,383,809
	<b>132,773,953</b>	<b>212,456,726</b>

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

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

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

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

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

The credit quality of consumer receivables from non-exchange transactions was evaluated in terms of the risk group and aging of the individual receivable account.

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

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 129,212,132 (2015: R 148,695,029) were past due but not impaired.

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

1 month past due	61,791,904	59,950,027
2 months past due	36,556,563	47,711,977
3 months past due	30,863,664	41,033,025

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

As of 30 June 2016, consumer receivables from non-exchange transactions of R 574,577,789 (2015: R 553,036,918) were impaired and provided for.

The ageing of these consumer receivables from non-exchange transactions is as follows:

Over 3 months	574,577,789	553,036,918
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**Reconciliation of provision for impairment of consumer receivables from non-exchange transactions**

Opening balance	553,036,918	376,933,296
Provision for impairment	51,560,228	174,443,076
Amounts (written off as uncollectible) / recovered	(30,019,357)	1,660,546
	<b>574,577,789</b>	<b>553,036,918</b>

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

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015	
<b>8. Consumer receivables from exchange transactions</b>			
<b>Net balance</b>			
Water	324,862,803	308,954,683	
Sewerage	96,918,729	79,046,237	
Refuse	27,179,292	23,022,668	
Housing rental	1,728,745	1,665,149	
Unallocated deposits	220,252	220,252	
	<b>450,909,821</b>	<b>412,908,989</b>	
<b>Net balance reconciliation - 2016</b>			
	<b>Gross balance</b>	<b>Impairment</b>	<b>Net balance</b>
Water	1,495,444,326	(1,170,581,523)	324,862,803
Sewerage	337,876,855	(240,958,126)	96,918,729
Refuse	142,652,630	(115,473,338)	27,179,292
Housing rental	12,731,742	(11,002,997)	1,728,745
Unallocated deposits	220,252	-	220,252
	<b>1,988,925,805</b>	<b>(1,538,015,984)</b>	<b>450,909,821</b>
<b>Net balance reconciliation - 2015</b>			
	<b>Gross balance</b>	<b>Impairment</b>	<b>Net balance</b>
Water	1,345,940,504	(1,036,985,821)	308,954,683
Sewerage	293,121,999	(214,075,762)	79,046,237
Refuse	129,054,630	(106,031,962)	23,022,668
Housing rental	8,587,589	(6,922,440)	1,665,149
Unallocated deposits	220,252	-	220,252
	<b>1,776,924,974</b>	<b>(1,364,015,985)</b>	<b>412,908,989</b>
<b>Water</b>			
Current (0 - 30 days)	73,664,620	97,232,685	
31 - 60 days	57,009,360	51,346,645	
61 - 90 days	52,134,656	49,492,701	
91+ days	1,294,110,827	1,130,325,023	
Meter reading estimate	18,524,863	17,543,450	
Gross balance	1,495,444,326	1,345,940,504	
Less: Impairment	(1,170,581,523)	(1,036,985,821)	
	<b>324,862,803</b>	<b>308,954,683</b>	
<b>Sewerage</b>			
Current (0 - 30 days)	21,302,937	18,997,461	
31 - 60 days	13,379,750	13,660,769	
61 - 90 days	11,021,450	12,131,906	
91+ days	292,172,718	248,331,863	
Gross balance	337,876,855	293,121,999	
Less: Impairment	(240,958,126)	(214,075,762)	
	<b>96,918,729</b>	<b>79,046,237</b>	
<b>Refuse</b>			
Current (0 - 30 days)	7,068,831	6,562,370	
31 - 60 days	4,652,991	4,317,179	
61 - 90 days	4,076,739	3,821,589	
91 - 120 days	126,854,069	114,353,492	
Gross balance	142,652,630	129,054,630	
Less: Impairment	(115,473,338)	(106,031,962)	
	<b>27,179,292</b>	<b>23,022,668</b>	

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>8. Consumer receivables from exchange transactions (continued)</b>		
<b>Housing rental</b>		
Current (0 - 30 days)	363,760	259,446
31 - 60 days	448,069	396,737
61 - 90 days	421,973	386,794
91+ days	11,497,940	7,544,612
Gross balance	12,731,742	8,587,589
Less: Impairment	(11,002,997)	(6,922,440)
	<b>1,728,745</b>	<b>1,665,149</b>
<b>Unallocated deposits</b>		
91+ days	220,252	220,252
<b>Summary of debtors by customer classification</b>		
<b>Residential and sundry</b>		
Current (0 - 30 days)	69,899,822	94,259,689
31 - 60 days	55,223,491	50,671,126
61 - 90 days	51,448,543	50,945,330
91+ days	1,433,072,606	1,273,733,379
Meter reading estimate	18,524,863	17,543,450
	1,628,169,325	1,487,152,974
Less: Allowance for impairment	(1,391,485,377)	(1,255,189,166)
	<b>236,683,948</b>	<b>231,963,808</b>
<b>Business / commercial</b>		
Current (0 - 30 days)	19,473,179	17,634,376
31 - 60 days	9,460,767	12,119,660
61 - 90 days	8,972,039	8,542,501
91 - 120 days	162,573,075	134,347,886
	200,479,060	172,644,423
Less: Allowance for impairment	(146,530,607)	(108,826,818)
	<b>53,948,453</b>	<b>63,817,605</b>
<b>Government</b>		
Current (0 - 30 days)	13,027,146	11,157,895
31 - 60 days	10,805,912	6,930,545
61 - 90 days	7,234,236	6,345,159
91+ days	128,989,873	134,347,886
	<b>160,057,167</b>	<b>158,781,485</b>
<b>Total</b>		
Current (0 - 30 days)	102,400,147	123,051,962
31 - 60 days	75,490,170	69,721,330
61 - 90 days	67,654,818	65,832,990
91 - 120 days	1,724,635,555	1,500,554,990
Meter reading estimate	18,524,863	17,543,450
Unallocated deposits	220,252	220,252
	1,988,925,805	1,776,924,974
Less: Allowance for impairment	(1,538,015,984)	(1,364,015,985)
	<b>450,909,821</b>	<b>412,908,989</b>
<b>Consumer receivables from exchange transactions pledged as security</b>		
None of the consumer receivables from exchange transactions have been pledged as security for any financial liabilities.		

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 8. Consumer receivables from exchange transactions (continued)

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

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

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

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

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

Consumer receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 251,370,386 (2015: R 250,178,887) were past due but not impaired.

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

1 month past due	116,659,152	127,406,635
2 months past due	70,889,629	63,540,460
3 months past due	63,821,604	59,231,792

#### Consumer receivables from exchange transactions impaired

As of 30 June 2016, consumer receivables from exchange transactions of R 1,538,015,984 (2015: R 1,364,015,985) were impaired and provided for.

The amount of the provision was R 1,538,015,984 as of 30 June 2016 (2015: R 1,364,015,985).

The ageing of these consumer receivables from exchange transactions is as follows:

Over 3 months	1,538,015,984	1,364,015,985
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#### Reconciliation of allowance for impairment of consumer receivables from exchange transactions

Opening balance	1,364,015,985	1,008,906,128
Allowance for impairment	393,515,380	420,852,520
Amounts written off as uncollectible	(219,515,381)	(65,742,663)
	<b>1,538,015,984</b>	<b>1,364,015,985</b>

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

### 9. Centlec Intercompany loan

#### Loan to controlled entity

Centlec Intercompany loan	917,500,570	709,344,553
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The intercompany loan balance is the net balance payable/receivable of all transactions between Centlec (SOC) Limited and the entity and interest is levied on the average balance for the year at the effective prime interest rate on the first day of the financial year. The applicable interest rate for the year was 9.25% (2015: 9%).

### 10. VAT receivable

VAT	47,443,075	151,114,116
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VAT is payable on the payment basis. VAT is paid over to the South African Revenue Service (SARS) only once payment is received from debtors.

Comparative information has been restated due to correction of prior period errors and omissions.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>10. VAT receivable (continued)</b>		
<b>Disclosure in terms of the MFMA</b>		
Opening balance	151,104,117	154,782,835
VAT payable	(110,386,892)	(153,853,936)
VAT Claimed not yet received	6,725,850	150,185,217
	<b>47,443,075</b>	<b>151,114,116</b>

### 11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	133,049	127,549
Bank balances	45,483,219	76,128,188
Short-term deposits	16,351,510	148,578,021
	<b>61,967,778</b>	<b>224,833,758</b>

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

The total of the overdraft facility available to the entity is R50,000,000 (2015: R50,000,000)

There are no restrictions on the entity's ability to realise cash balances.

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

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

#### Credit rating

Aa1	61,834,729	224,706,209
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#### Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID reserve	31	12,511,880	10,628,620
The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.			

#### The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
ABSA - Primary Account - 470 000 465	40,463,260	72,753,889	27,491,702	40,463,260	72,753,889	30,910,107
ABSA - Fresh Produce - 470 001 348	3,839,477	2,848,076	2,043,264	3,839,477	2,848,076	2,043,264
ABSA - Direct Deposits - 470 001 380	-	-	-	1,180,482	526,222	-
<b>Total</b>	<b>44,302,737</b>	<b>75,601,965</b>	<b>29,534,966</b>	<b>45,483,219</b>	<b>76,128,187</b>	<b>32,953,371</b>

#### Summary of short term deposits held

Short term deposits held with ABSA	15,200,663	15,781,930
Short term deposits held with FNB	572,424	7,088,839
Short term deposits held with Nedbank	33,027	4,057,570
Short term deposits held with Standard Bank	545,396	121,649,682
	<b>16,351,510</b>	<b>148,578,021</b>

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand 2016 2015

**12. Investment property**

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,497,507,000	-	1,497,507,000	1,636,496,363	-	1,636,496,363

**Reconciliation of investment property - 2016**

Investment property	Opening balance	Disposals	Revaluation	Total
	1,636,496,363	(176,000)	(138,813,363)	1,497,507,000

**Reconciliation of investment property - 2015**

Investment property	Opening balance	Transfers	Total
	1,643,033,363	(6,537,000)	1,636,496,363

**Pledged as security**

None of the investment property was pledged for any financial liability.

**Details of property**

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 entity.

Refer to Appendix B for further details on the movement on Investment Property.

Due to the limitations of the financial system, it is impractical to disclose the expenditure incurred with regard to investment property.

**Details of valuation**

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

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

**13. Property, plant and equipment**

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,453,640,978	-	1,453,640,978	1,427,016,235	-	1,427,016,235
Buildings	1,273,369,500	(119,374,567)	1,153,994,933	1,224,264,269	(71,737,486)	1,152,526,783
Infrastructure	8,841,706,769	(2,391,016,702)	6,450,690,067	7,825,101,931	(2,005,210,638)	5,819,891,293
Community	1,630,497,515	(753,106,537)	877,390,978	1,447,459,924	(676,919,088)	770,540,836
Other property, plant and equipment	444,574,327	(112,014,790)	332,559,537	413,124,890	(102,384,032)	310,740,858
<b>Total</b>	<b>13,643,789,089</b>	<b>(3,375,512,596)</b>	<b>10,268,276,493</b>	<b>12,336,967,249</b>	<b>(2,856,251,244)</b>	<b>9,480,716,005</b>



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

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

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	WIP Additions	Disposals	WIP Transfers to Additions	Transfers	Revaluation / Fair value adjustments	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,427,016,235	35,001,000	-	(614,470)	-	(7,320,000)	-	(441,787)	-	-	1,453,640,9
Buildings	1,152,526,783	36,008,035	21,270,067	(500,955)	(7,434,342)	-	-	(47,874,655)	-	-	1,153,994,9
Infrastructure	5,819,891,293	1,028,120,345	663,233,333	(18,485,471)	-	(699,014,001)	-	68,248,847	(411,304,279)	-	6,450,690,0
Community	770,540,836	123,469,202	113,170,247	(10,539,393)	(113,170,247)	3,206,169	(494,191)	70,031,442	(78,823,087)	-	877,390,9
Other property, plant and equipment	310,740,858	32,226,851	-	(760,461)	-	(129,434)	-	6,319,419	(15,163,691)	(674,005)	332,559,5
	<b>9,480,716,005</b>	<b>1,254,825,433</b>	<b>797,673,647</b>	<b>(30,900,750)</b>	<b>(120,604,589)</b>	<b>(703,257,266)</b>	<b>(494,191)</b>	<b>144,157,921</b>	<b>(553,165,712)</b>	<b>(674,005)</b>	<b>10,268,276,4</b>

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

	Opening balance	Difference	Additions	WIP Additions	Disposals	WIP Transferred to Additions	Transfers	Revaluations / Fair value adjustments	Other changes, movements	Depreciation	Impairment loss
Land	1,434,678,700	-	1,577,535	-	-	-	(9,240,000)	-	-	-	-
Buildings	1,159,964,705	-	99,474,582	25,340,922	-	(99,474,582)	-	-	-	(32,778,844)	-
Infrastructure	5,317,603,382	-	448,055,889	792,655,678	-	(441,916,846)	-	-	118,740,846	(413,181,184)	(2,066,4
Community	822,642,495	(56,826,757)	22,068,293	102,137,740	(865,999)	(20,843,413)	-	(15,968,287)	(420,541)	(80,864,631)	(518,0
Other property, plant and equipment	305,063,577	-	33,538,827	-	(59,748)	-	-	-	-	(24,396,960)	(3,404,8
	<b>9,039,952,859</b>	<b>(56,826,757)</b>	<b>604,715,126</b>	<b>920,134,340</b>	<b>(925,747)</b>	<b>(562,234,841)</b>	<b>(9,240,000)</b>	<b>(15,968,287)</b>	<b>118,320,305</b>	<b>(551,221,619)</b>	<b>(5,989,3</b>

Included in property, plant and equipment are 79 (2015: 79) assets with a nil carrying value at year end. The cost price of these assets amounts to R 3,328,246 (2015: R 3,328,246). These assets are not significant to the entity's operations and service delivery objectives.

Included in property, plant and equipment are 16 (2015: 16) fully depreciated assets no longer in use by the entity. The cost price of these assets amounts to R 114,654,249 (2015: R 114,654,249) and consists of closed landfill sites and quarries.

Refer to Appendix B for further details on the movement of property, plant and equipment.

#### Pledged as security

No property, plant and equipment has been pledged as security for any financial liabilities.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

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

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

Motor vehicles	156,452,479	146,950,620
Office equipment	10,951,841	-
	<b>167,404,320</b>	<b>146,950,620</b>

#### Revaluations

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

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

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

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

There are no restrictions on the revaluation surplus.

#### Details of properties

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 entity.

#### Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	986,723,556	158,366,200	12,781,493	1,157,871,249

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

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	635,984,724	77,071,873	92,817,448	805,874,045
Additions/capital expenditure	792,655,678	102,137,740	19,438,627	914,232,045
Transferred to completed items	(441,916,846)	(20,843,413)	(99,474,582)	(562,234,841)
	<b>986,723,556</b>	<b>158,366,200</b>	<b>12,781,493</b>	<b>1,157,871,249</b>

#### Deemed cost

Deemed cost was determined using depreciated replacement cost.

### 14. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	12,992,789	(4,382,944)	8,609,845	12,992,788	(3,403,676)	9,589,112
Servitudes	305,707	-	305,707	305,707	-	305,707
<b>Total</b>	<b>13,298,496</b>	<b>(4,382,944)</b>	<b>8,915,552</b>	<b>13,298,495</b>	<b>(3,403,676)</b>	<b>9,894,819</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 14. Intangible assets (continued)

#### Reconciliation of intangible assets - 2016

	Opening balance	Amortisation	Total
Computer software	9,589,112	(979,267)	8,609,845
Servitudes	305,707	-	305,707
	<b>9,894,819</b>	<b>(979,267)</b>	<b>8,915,552</b>

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	WIP Transferred to Additions	Amortisation	Total
Computer software	8,188,993	2,536,430	(562,999)	(573,312)	9,589,112
Servitudes	305,707	-	-	-	305,707
	<b>8,494,700</b>	<b>2,536,430</b>	<b>(562,999)</b>	<b>(573,312)</b>	<b>9,894,819</b>

#### Pledged as security

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

#### Other information

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

Intangible assets with indefinite lives:

Servitudes	305,707	305,707
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The servitudes held by the entity are land rights that have been issued. The land held by the entity is deemed to have an indefinite useful life, including servitudes.

#### Deemed cost

Deemed cost was determined using depreciated replacement cost.

### 15. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	321,568,687	-	321,568,687	321,568,687	-	321,568,687

#### Reconciliation of heritage assets 2016

Heritage assets	Opening balance 321,568,687	Total 321,568,687
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#### Reconciliation of heritage assets 2015

Heritage assets	Opening balance 321,568,687	Total 321,568,687
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#### Pledged as security

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 15. Heritage assets (continued)

#### Revaluations

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

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

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

There are no restrictions on the distribution of the balance of the revaluation reserve.

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

### 16. Investments in controlled entities

Name of company	Held by	% holding		Carrying amount	Carrying amount
		2016	2015	2016	2015
Centlec (SOC) Limited	Mangaung Metropolitan Municipality	100.00 %	100.00 %	100	100

The carrying amounts of investments in the controlled entity are shown net of impairment losses.

A company, Centlec (SOC) Limited, of which Mangaung Metropolitan Municipality is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account.

### 17. Centlec Receivables

Centlec (SOC) Limited - Shareholders loan	1,071,479,158	1,071,479,158
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The capital amount outstanding shall bear interest at the lower of 15% of Centlec (SOC) Limited's prior year's revenue or the interest rate used as at 30 June 2010 (i.e. 8.7%), adjusted for CPI as per the Public Finance Sector.

The adjusted interest rate as at 30 June 2016 was 12.73% (2015:12.08%). The applicable rate for the current year is 12.73%, and the prior year was 15% of Centlec (SOC) Limited's prior year's revenue.

The loan is repayable from 2015 over a period of 21 years.

Centlec (SOC) Limited - Advances	95,262,840	102,562,882
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The amount is composed of various advances that have been loaned to Centlec (SOC) Limited by the entity during prior years. Each portion has a different redemption period that extends over the useful life of each specific asset, at an interest rate of 9.25% (2015: 9%).

	<b>1,166,741,998</b>	<b>1,174,042,040</b>
Non-current assets	1,159,516,707	1,166,741,997
Current assets	7,225,291	7,300,043
	<b>1,166,741,998</b>	<b>1,174,042,040</b>

### 18. Non-current receivables

#### Designated at fair value

2535 Unlisted shares - OVK Limited	33,107	32,498
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#### At amortised cost

Erven loans	8,760,885	8,904,843
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Loans were granted to the public for the sale of erven and are repayable on a monthly basis over a maximum period of 5 years, at an interest rate of 1% above the bank rate of the entity. These loans are repayable on a monthly basis and no further loans are granted.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>18. Non-current receivables (continued)</b>		
Housing selling scheme loans	47,833,011	47,924,746
Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations over a period of 20 years.		
Cricket stadium	9,144,198	9,372,425
The entity has a contract with the Free State Cricket Union for the purchase of the cricket stadium. The loan bears interest at 10% per annum and is repayable on an annual basis over 27 years ending 1 July 2022.		
	65,738,094	66,202,014
Impairment - Erven loans	(8,593,141)	(8,735,906)
Impairment - Housing selling schemes	(47,755,514)	(47,468,253)
Impairment - Cricket stadium	(9,144,198)	(9,372,425)
	<b>245,241</b>	<b>625,430</b>
<b>Total other financial assets</b>	<b>278,348</b>	<b>657,928</b>
<b>Non-current assets</b>		
Designated at fair value	33,107	32,498
At amortised cost	245,241	625,430
	<b>278,348</b>	<b>657,928</b>
<b>Financial assets at fair value</b>		
<b>Fair values of financial assets measured or disclosed at fair value</b>		
Class 1 - Unlisted shares	33,107	32,498
The shares were valued using quoted market prices.		
<b>Fair value hierarchy of financial assets at fair value</b>		
For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:		
Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.		
Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).		
Level 3 applies inputs which are not based on observable market data.		
<b>Level 1</b>		
Class 1 - Unlisted shares	33,107	32,498

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand 2016 2015

**18. Non-current receivables (continued)**

**Financial assets at amortised cost**

**Financial assets at amortised cost past due but not impaired**

Other non-current receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2016, none of the non-current receivables were past due but not impaired.

**Financial assets at amortised cost impaired**

As of 30 June 2016, other non-current receivables of R 65,492,836 (2015: R 65,576,584 ) were impaired and provided for.

The amount of the provision was R 65,492,836 as of 30 June 2016 (2015: R 65,576,584).

The ageing of these loans is as follows.

Over 3 months	65,492,836	65,576,584
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**Reconciliation of provision for impairment of financial assets at amortised cost**

**Impairment of Erven loans**

Opening balance	8,735,906	9,010,111
Unused amounts reversed	(142,765)	(274,205)
	<b>8,593,141</b>	<b>8,735,906</b>

**Impairment of Housing selling scheme loans**

Opening balance	47,468,253	47,723,462
Provision for impairment	783,530	-
Unused amounts reversed	(496,286)	(255,209)
	<b>47,755,497</b>	<b>47,468,253</b>

**Impairment of Cricket stadium**

Opening balance	9,372,425	9,466,383
Provision for impairment	(228,227)	-
Unused amounts reversed	-	(93,958)
	<b>9,144,198</b>	<b>9,372,425</b>

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on the non-current receivables.

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

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

**19. Payables from exchange transactions**

Accrued bonus	24,373,510	23,313,688
Accrued leave pay	106,118,947	91,820,819
Claims - Unfair dismissal	4,879,817	6,608,171
Deferred lease expenditure	1,711,549	2,612,165
Other payables	52,229,291	1,113,165
Other payables - Grants	72,997,683	34,722,995
Retentions	131,110,257	85,932,476
Trade payables	727,608,192	379,429,620
	<b>1,121,029,246</b>	<b>625,553,099</b>

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the current year was 139 days (2015: 52 days).

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

**Mangaung Metropolitan Municipality**  
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**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>20. Payables from non-exchange transactions</b>		
Payments received in advance	284,236,541	277,514,037
Deposits	620,390	558,047
Other	1,342,476	1,342,476
	<b>286,199,407</b>	<b>279,414,560</b>

**21. Consumer deposits**

Water	33,728,408	30,872,092
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Guarantees in lieu of consumer deposits amounted to R 2,018,667 (2015: R 2,063,152)

**Fair value hierarchy**

For financial liabilities recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

- Level 1 represents those liabilities which are measured using unadjusted quoted prices in active markets for identical liabilities.
- Level 2 applies inputs other than quoted prices that are observable for the liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 applies inputs which are not based on observable market data.

**Fair values of financial liabilities measured or disclosed at fair value**

<b>Level 1</b>		
Water	(33,728,408)	(30,872,092)

**22. Unspent conditional grants and receipts**

**Unspent conditional grants and receipts comprises of:**

<b>Unspent conditional grants and receipts</b>		
City of Ghent - Youth development grant	825,516	550,146
Department Telecom and Postal Services	5,292,842	-
Expanded Public Works Programme Incentive Grant	-	38,641
Integrated City Development Grant	96,234	-
Municipal Accreditation Project Funding - Housing Grant	1,312,966	3,628,261
Municipal Human Settlement Capacity Grant	2,784,685	-
Neighbourhood Development Grant	32,240,277	-
Public Transport Infrastructure and Network Systems Grant	-	21,133,200
Sports, Arts and Culture - Admin libraries	3,291,174	2,000,000
Sustainable Human Settlement Grant	1,595,782	2,598,026
Urban Settlement Development Grant	58,643,843	77,535,555
	<b>106,083,319</b>	<b>107,483,829</b>

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

Refer to note 40 for reconciliation of grants from National/Provincial Government.

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>23. Finance lease obligation</b>		
Finance lease obligation	71,963,635	108,626,102
<b>Minimum lease payments due</b>		
- within one year	53,231,363	48,757,150
- in second to fifth year inclusive	37,171,524	72,012,118
	90,402,887	120,769,268
less: future finance charges	(18,439,252)	(12,143,167)
<b>Present value of minimum lease payments</b>	<b>71,963,635</b>	<b>108,626,101</b>
<b>Present value of minimum lease payments due</b>		
- within one year	42,373,894	40,940,164
- in second to fifth year inclusive	29,589,741	67,685,937
	<b>71,963,635</b>	<b>108,626,101</b>
Non-current liabilities	29,589,741	67,685,938
Current liabilities	42,373,894	40,940,164
	<b>71,963,635</b>	<b>108,626,102</b>

The entity leases various equipment and vehicles under finance leases. The maximum lease term is between 2 and 5 years and the average borrowing rate is between 9% and 15%. Leases are not renewed automatically upon expiry, unless otherwise instructed by the entity.

No arrangements have been entered into for contingent rent.

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

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

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

**24. Borrowings**

**At amortised cost**

DBSA Bloemfontein - Sewer 8001/104	-	734,557
DBSA Bloemfontein - Water 8001/104	-	658,552
DBSA - FS1034/01	134,296,964	138,000,746
DBSA - FS1034/02	40,510,298	42,555,911
DBSA - 6100 7294	309,292,276	127,000,000
Standard Bank - Loan 33714314	289,958,385	283,235,810

<b>Total other financial liabilities</b>	<b>774,057,923</b>	<b>592,185,576</b>
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These loans are from The Development Bank of South Africa and Standard Bank of South Africa Limited. Repayments are made either monthly or on a six monthly basis. The final loan will be redeemed at 30 January 2027 and the loans bear interest between 6% and 14%.

**Non-current liabilities**

At amortised cost	673,092,550	557,182,589
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**Current liabilities**

At amortised cost	100,965,373	35,002,987
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**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand 2016 2015

**24. Borrowings (continued)**

**Defaults and breaches**

The following loans were in default as a result of not meeting capital repayment requirements as per the contractual arrangements.

All the defaults on the above borrowings were remedied through payment of the accrued capital and interest amounts on the 7th and 11th July 2016 respectively. There were no renegotiations of the borrowing required.

Loan	Carrying amount at 30 June 2016	Default principal amount	Default interest
DBSA - FS1034/01	134,296,964	515,978	1,378,808
DBSA - FS1034/02	40,510,298	218,835	223,424
DBSA - 6100 7294	309,292,275	12,128,245	12,803,450
Standard Bank 33714314	289,958,385	9,685,604	14,986,997
	<b>774,057,922</b>	<b>22,548,662</b>	<b>29,392,679</b>

**25. Provisions**

Rehabilitation of landfill sites	123,211,771	95,638,437
Rehabilitation of quarry sites	334,125,572	336,861,831
	<b>457,337,343</b>	<b>432,500,268</b>

**Reconciliation of provisions - 2016**

	Opening Balance	Reduction due to re- measurement or settlement without cost to entity	Total
Rehabilitation of landfill sites	95,638,437	27,573,334	123,211,771
Rehabilitation of quarry sites	336,861,831	(2,736,259)	334,125,572
	<b>432,500,268</b>	<b>24,837,075</b>	<b>457,337,343</b>

**Reconciliation of provisions - 2015**

	Opening Balance	Re-assessment	Change in discount factor	Total
Rehabilitation of landfill sites	78,473,170	10,003,362	7,161,905	95,638,437
Rehabilitation of quarry sites	357,691,189	(26,657,192)	5,827,834	336,861,831
	<b>436,164,359</b>	<b>(16,653,830)</b>	<b>12,989,739</b>	<b>432,500,268</b>
Non-current liabilities			114,292,451	237,691,924
Current liabilities			343,044,892	194,808,344
			<b>457,337,343</b>	<b>432,500,268</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

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### 25. Provisions (continued)

#### Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2015 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 13.491% (2015: 4.789%) for the circumstances of the entity.

Landfill sites consists of:	Restoration date:
Botshabelo Landfill Site	2117
Northern Landfill Site	2038
Southern Landfill Site	2021

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

#### Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2015 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the quarry sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 13.491% (2015: 4.789%) for the circumstances of the entity.

Quarries consists of:	Restoration date:
<u>Bloemfontein</u>	
Cecelia	2018
Sunnyside	2018
Kgotsong	2016
Ipopeng	2016
Chris Hani	2016
Caleb Motsoabi	2016
N1	2016
<u>Botshabelo</u>	
K-Section	2016
F1-Section	2016
F2.1-Section	2016
F2.2-Section	2016
W-Section	2016
S-Section	2016
B-Section	2016
<u>Thaba Nchu</u>	
Seroala	2016
Thubisi	2016
Putsane	2016
Merino	2016
Rhakoi	2016
Sediba	2016
Rooibult	2016
Kgalala	2016
Baraclava 1	2016
Baraclava	2016
Bultfontein 3	2016
Modutung	2016
Talla	2016
Nogas Pst	2016

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

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### 26. Employee benefit obligations

#### Defined benefit plan

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

#### Pension benefits

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

#### Post retirement medical aid plan

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

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

#### Long service award

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

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

#### Carrying value

Present value of the defined benefit obligation-wholly unfunded

723,671,000

642,594,000

**Mangaung Metropolitan Municipality**  
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**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015		
<b>26. Employee benefit obligations (continued)</b>				
<b>Changes in the present value of the defined benefit obligation are as follows:</b>				
Opening balance	642,594,000	557,216,000		
Current service cost	36,257,000	30,395,000		
Past service cost	-	24,045,000		
Interest cost	60,374,000	52,964,000		
Actuarial (gains) losses	388,000	(3,254,000)		
Benefits paid	(15,942,000)	(18,772,000)		
	<b>723,671,000</b>	<b>642,594,000</b>		
<b>2012</b>	<b>Pension fund</b>	<b>Medical aid</b>	<b>Long service award</b>	<b>Total</b>
Defined benefit obligation as at 30 June 2011	6,714,000	383,958,000	51,639,000	442,311,000
Interest cost	555,000	35,100,000	4,744,000	40,399,000
Current service cost	61,000	14,242,000	4,518,000	18,821,000
Benefits paid / (expected)	(367,000)	(6,569,000)	(7,126,000)	(14,062,000)
Actuarial (gains) / losses	(1,769,000)	(146,180,000)	4,591,000	(143,358,000)
	<b>5,194,000</b>	<b>280,551,000</b>	<b>58,366,000</b>	<b>344,111,000</b>
<b>2013</b>	<b>Pension fund</b>	<b>Medical aid</b>	<b>Long service award</b>	<b>Total</b>
Defined benefit obligation as at 30 June 2012	5,194,000	280,551,000	58,366,000	344,111,000
Interest cost	407,000	25,797,000	4,589,000	30,793,000
Current service cost	47,000	12,922,000	5,575,000	18,544,000
Benefits paid / (expected)	(452,000)	(6,912,000)	(7,460,000)	(14,824,000)
Actuarial (gains) / losses	797,000	60,044,000	13,499,000	74,340,000
	<b>5,993,000</b>	<b>372,402,000</b>	<b>74,569,000</b>	<b>452,964,000</b>
<b>2014</b>	<b>Pension fund</b>	<b>Medical aid</b>	<b>Long service award</b>	<b>Total</b>
Defined benefit obligation as at 30 June 2013	5,993,000	372,402,000	74,569,000	452,964,000
Interest cost	453,000	34,729,000	5,577,000	40,759,000
Current service cost	43,000	17,517,000	7,547,000	25,107,000
Benefits paid / (expected)	(381,000)	(7,566,000)	(10,444,000)	(18,391,000)
Actuarial (gains) / losses	(943,000)	54,590,000	3,130,000	56,777,000
	<b>5,165,000</b>	<b>471,672,000</b>	<b>80,379,000</b>	<b>557,216,000</b>
<b>2015</b>	<b>Pension fund</b>	<b>Medical aid</b>	<b>Long service award</b>	<b>Total</b>
Defined benefit obligation as at 30 June 2014	5,165,000	471,672,000	80,379,000	557,216,000
Interest cost	426,000	45,955,000	6,583,000	52,964,000
Current service cost	49,000	22,228,000	8,118,000	30,395,000
Past service costs	-	24,045,000	-	24,045,000
Benefits paid / (expected)	(354,000)	(8,357,000)	(10,061,000)	(18,772,000)
Actuarial (gains) / losses	(352,000)	1,635,000	(4,537,000)	(3,254,000)
	<b>4,934,000</b>	<b>557,178,000</b>	<b>80,482,000</b>	<b>642,594,000</b>
<b>2016</b>	<b>Pension fund</b>	<b>Medical aid</b>	<b>Long service award</b>	<b>Total</b>
Defined benefit obligation as at 30 June 2015	4,934,000	557,178,000	80,482,000	642,594,000
Interest cost	405,000	53,241,000	6,728,000	60,374,000
Current service cost	47,000	27,719,000	8,491,000	36,257,000
Benefits paid / (expected)	(322,000)	(9,138,000)	(6,482,000)	(15,942,000)
Actuarial (gains) / losses	(247,000)	(2,563,000)	3,198,000	388,000
	<b>4,817,000</b>	<b>626,437,000</b>	<b>92,417,000</b>	<b>723,671,000</b>
<b>Estimated future contributions</b>	<b>Pension fund</b>	<b>Medical aid</b>	<b>Long service award</b>	<b>Total</b>

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

Figures in Rand			2016	2015
<b>26. Employee benefit obligations (continued)</b>				
Defined benefit obligation as at 30 June 2016	4,817,000	626,435,000	92,417,000	723,669,000
Interest cost	419,000	62,284,000	7,912,000	70,615,000
Current service cost	50,000	33,203,000	9,199,000	42,452,000
Benefits paid / (expected)	(341,000)	(9,046,000)	(11,731,000)	(21,118,000)
	<b>4,945,000</b>	<b>712,876,000</b>	<b>97,797,000</b>	<b>815,618,000</b>

### Key assumptions used

Assumptions used at the reporting date:

Discount rate - Pension fund	9.00 %	8.50 %
Discount rate - Medical aid	9.75 %	9.40 %
Discount rate - Long service award	8.65 %	8.40 %
Expected increase in healthcare costs	9.26 %	8.90 %
Salary inflation rate - Pension fund	8.65 %	8.25 %
Salary inflation rate - Long service award	8.35 %	8.10 %
Expected pension increases	6.65 %	6.25 %
Inflation rate - Pension fund	6.65 %	6.25 %
Inflation rate - Medical aid	7.26 %	6.90 %
Inflation rate - Long service awards	6.35 %	6.10 %
Membership discontinued at retirement or death-in-service	10.00 %	10.00 %
Expected retirement age (years)	63	63

Government bond yields were used when setting the best-estimate discount rate assumption for health care cost.

The estimated discount rate health care cost was set equal to the yield on the BESA zero-coupon yield curve with a term of 19 years, the expected duration of the liability based on the current membership data, as at 30 June 2016.

### Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	(794,451,000)	(521,682,000)
Effect on the aggregate of the service cost	(41,991,000)	(26,155,000)
Effect on the aggregate of the interest cost	(74,671,000)	(51,681,000)

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

	2016 R	2015 R	2014 R	2013 R	2012 R
Defined benefit obligation	723,760,000	642,594,000	557,216,000	452,964,000	344,111,000
Experience adjustments on plan liabilities	1,039,000	6,659,000	(16,647,000)	(33,624,000)	(8,418,000)

### 27. FRESHCO liability

FRESHCO non-current liability	214,558,041	193,357,936
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The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households. The agreement commenced on 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 10% annually. The rental amount is included in note 35 – Rental of facilities and equipment.

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

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

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Figures in Rand 2016 2015

**28. Land availability liability**

Land availability non-current liability	186,119,361	31,575,456
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The entity has entered into an agreement with a developer to implement and pursue a programme of land development which will provide infrastructure and housing suitable for low to medium income households. The agreement commenced on 10 July 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period.

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

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

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

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

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

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

**29. Revaluation reserve**

Opening balance	893,325,183	905,357,488
Change during the year	(1,133,860)	-
Realisation of the revaluation reserve	(21,687,070)	(12,032,305)
	<b>870,504,253</b>	<b>893,325,183</b>

**30. Self insurance reserve**

Opening balance	5,000,000	5,000,000
Contributions received	180,770	264,447
Insurance claims processed	(180,770)	(264,447)
	<b>5,000,000</b>	<b>5,000,000</b>

**31. COID reserve**

Opening balance	10,628,620	8,934,694
Contributions received	3,393,230	3,132,625
Insurance claims processed	(1,509,970)	(1,438,699)
	<b>12,511,880</b>	<b>10,628,620</b>

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**32. Financial instruments disclosure**

**Categories of financial instruments**

**2016**

**Financial assets**

	At fair value	At amortised cost	Total
Non-current receivables	33,107	245,258	278,365
Other receivables from non-exchange transactions	-	4,454,092	4,454,092
Other receivables from exchange transactions	-	34,325,339	34,325,339
Consumer receivables from non-exchange transactions	-	262,419,381	262,419,381
Consumer receivables from exchange transactions	-	450,909,821	450,909,821
Centlec receivables	-	1,166,741,998	1,166,741,998
Centlec intercompany loan	-	917,500,570	917,500,570
Cash and cash equivalents	-	61,834,729	61,834,729
	<b>33,107</b>	<b>2,898,431,188</b>	<b>2,898,464,295</b>

**Financial liabilities**

	At fair value	At amortised cost	Total
Borrowings	-	774,057,923	774,057,923
Payables from exchange transactions	-	990,536,781	990,536,781
Payables from non-exchange transactions	-	286,199,407	286,199,407
Finance lease obligation	-	71,963,635	71,963,635
Consumer deposits	33,728,408	-	33,728,408
	<b>33,728,408</b>	<b>2,122,757,746</b>	<b>2,156,486,154</b>

**2015**

**Financial assets**

	At fair value	At amortised cost	Total
Non-current receivables	32,498	625,432	657,930
Other receivables from non-exchange transactions	-	810,045	810,045
Other receivables from exchange transactions	-	28,931,660	28,931,660
Consumer receivables from exchange transactions	-	412,908,989	412,908,989
Consumer receivables from non-exchange transactions	-	283,520,232	283,520,232
Centlec receivables	-	1,174,042,040	1,174,042,040
Centlec intercompany loan	-	709,344,553	709,344,553
Cash and cash equivalents	-	224,706,208	224,706,208
	<b>32,498</b>	<b>2,834,889,159</b>	<b>2,834,921,657</b>

**Financial liabilities**

	At fair value	At amortised cost	Total
Borrowings	-	592,185,575	592,185,575
Payables from exchange transactions	-	510,418,589	510,418,589
Payables from non-exchange transactions	-	279,414,560	279,414,560
Finance lease obligation	-	108,626,102	108,626,102
Consumer deposits	30,872,092	-	30,872,092
	<b>30,872,092</b>	<b>1,490,644,826</b>	<b>1,521,516,918</b>

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Figures in Rand	2016	2015
<b>33. Revenue</b>		
Service charges	931,035,780	916,825,792
Agency services	96,009,980	108,370,538
Interest received	399,137,524	473,938,676
Licences and permits	656,529	170,677
Rental of facilities and equipment	33,243,326	28,370,601
Other income from exchange transactions	61,994,170	51,780,281
Property rates	837,749,032	767,595,597
Fines	51,082,513	77,671,023
Government grants & subsidies	1,710,171,686	1,608,312,776
Other income from non-exchange transactions	16,466,416	2,349,512
	<b>4,137,546,956</b>	<b>4,035,385,473</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	931,035,780	916,825,792
Agency services	96,009,980	108,370,538
Interest received - investment	399,137,524	473,938,676
Licences and permits	656,529	170,677
Rental of facilities and equipment	33,243,326	28,370,601
Other income from exchange transactions	61,994,170	51,780,281
	<b>1,522,077,309</b>	<b>1,579,456,565</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	837,749,032	767,595,597
<b>Transfer revenue</b>		
Government grants & subsidies	1,710,171,686	1,608,312,776
Fines	51,082,513	77,671,023
Other income from non-exchange transactions	16,466,416	2,349,512
	<b>2,615,469,647</b>	<b>2,455,928,908</b>
<b>34. Service charges</b>		
Sale of water	622,627,224	645,647,884
Sewerage and sanitation charges	223,679,342	193,607,571
Refuse removal	84,729,214	77,570,337
	<b>931,035,780</b>	<b>916,825,792</b>
<b>35. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises	1,190,983	1,118,800
Venue hire	1,369,482	1,375,705
	<b>2,560,465</b>	<b>2,494,505</b>
<b>Facilities and equipment</b>		
Rental of facilities	29,766,027	24,950,901
Rental of equipment	565,234	568,642
Other	351,600	356,553
	<b>30,682,861</b>	<b>25,876,096</b>
	<b>33,243,326</b>	<b>28,370,601</b>
<b>36. Income from agency services</b>		
Centlec (SOC) Limited - Employee related costs	96,009,980	108,370,538

Employees employed by the entity are seconded to Centlec (SOC) Limited, which is then charged according to the salaries and related costs of the employees.



**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>37. Other income from exchange transactions</b>		
Advertising	1,271,056	1,163,857
Analysis of industrial effluent	2,580,717	1,461,591
Building plan fees	3,782,363	3,557,783
Clearance certificates	1,549,463	1,488,088
Commission - Fresh Produce Market	19,254,934	17,371,615
Connection and re-connection of water	4,618,762	4,073,545
Entrance fees	1,549,304	1,303,237
Grave plots	3,042,842	2,789,833
Insurance collection	2,459,828	2,559,497
Parking fees	1,154,287	1,352,821
Removal fees	1,108,306	545,495
Sale of erven	11,514,818	5,441,315
Sale of redundant material	9,611	3,507
Sale of tender documents	2,458,430	2,803,681
Training	2,041,404	2,058,238
Sundry income	3,598,045	3,806,178
	<b>61,994,170</b>	<b>51,780,281</b>
<b>38. Interest received</b>		
<b>Interest revenue</b>		
Interest charged on long term receivables	1,441,415	1,414,698
Interest charged on trade and other receivables	166,176,174	170,653,700
Centlec (SOC) Limited - Advances	9,487,067	9,888,796
Centlec (SOC) Limited - Shareholders loan	136,414,260	270,223,418
Centlec (SOC) Limited - Intercompany loan	71,915,495	-
Cash and cash equivalents	13,703,113	21,758,064
	<b>399,137,524</b>	<b>473,938,676</b>

**Mangaung Metropolitan Municipality**  
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**Notes to the Annual Financial Statements**

Figures in Rand 2016 2015

**39. Property rates**

**Rates levied**

Residential and business/commercial	676,140,165	525,066,723
Government	161,608,867	242,528,874
	<b>837,749,032</b>	<b>767,595,597</b>

**Valuations**

Residential	62,580,729,147	78,057,664,404
Business/Commercial	17,862,389,465	21,226,868,426
Government	8,716,257,170	10,116,646,160
Municipal	5,122,902,685	4,760,661,886
	<b>94,282,278,467</b>	<b>114,161,840,876</b>

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

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

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

**2016:**

From 1 July 2015 the basic rates were adjusted as follows:

- R0.001533 on the value of rateable farm property
- R0.006131 on the value of rateable residential property
- R0.025205 on the value of rateable government property
- R0.025205 on the value of rateable business/commercial property

**2015:**

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

- R0.001446 on the value of rateable farm property
- R0.005784 on the value of rateable residential property
- R0.025005 on the value of rateable government property
- R0.025005 on the value of rateable business/commercial property

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>40. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable Share	596,652,000	603,580,999
Fuel Levy	260,928,000	256,663,000
City of Ghent - Youth Development Grant	300,965	1,453,935
Department of Water Affairs	-	3,057,723
Electricity Demand Side Management Grant	-	7,490,000
Financial Management Grant	1,300,000	1,500,000
Lotto Grant	-	4,912,281
Municipal Accreditation Project Funding - Housing Grant	2,315,295	-
Municipal Human Settlement Capacity Grant	6,421,315	-
National Electrification Programme Grant	30,000,000	30,200,000
National Sports and Recreation Grant	-	500,000
Neighbourhood Development Grant	21,535,723	5,000,000
Sports, Arts & Culture - Admin libraries	708,826	-
Sports, Arts & Culture - Sport	-	4,000,000
	<b>920,162,124</b>	<b>918,357,938</b>
<b>Capital grants</b>		
DWAF - Water Conservation Grant	-	942,277
Expanded Public Works Programme Incentive Grant	3,135,641	2,392,359
Integrated City Development Grant	10,060,766	5,596,000
Public Transport Infrastructure and Network Systems Grant	63,072,200	8,866,800
Sustainable Human Settlement Grant	1,002,243	24,560,384
Urban Settlement Development Grant	712,738,712	647,597,018
	<b>790,009,562</b>	<b>689,954,838</b>
	<b>1,710,171,686</b>	<b>1,608,312,776</b>
<b>Equitable Share</b>		
Current year receipts	596,652,000	603,581,000
Conditions met - transferred to revenue	(596,652,000)	(603,581,000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
<b>Fuel Levy</b>		
Current-year receipts	260,928,000	256,663,000
Conditions met - transferred to revenue	(260,928,000)	(256,663,000)
	-	-
The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.		
<b>City of Ghent - Youth Development Grant</b>		
Balance unspent at beginning of year	550,146	1,453,936
Current-year receipts	576,335	550,146
Conditions met - transferred to revenue	(300,965)	(1,453,936)
	<b>825,516</b>	<b>550,146</b>
Conditions still to be met - remain liabilities (see note 22).		
The grant is given by the City of Ghent for youth development.		

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**Notes to the Annual Financial Statements**

Figures in Rand	2016	2015
<b>40. Government grants and subsidies (continued)</b>		
<b>Department of Water Affairs</b>		
Current-year receipts	-	3,057,723
Conditions met - transferred to revenue	-	(3,057,723)
	<u>-</u>	<u>-</u>
The purpose of the grant is to subsidise and build capacity in water schemes on behalf of Department of Water and Environmental Affairs and transfer these schemes to local government.		
<b>Electricity Demand Side Management Grant</b>		
Current-year receipts	-	7,490,000
Conditions met - transferred to revenue	-	(7,490,000)
	<u>-</u>	<u>-</u>
The grant is allocated to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.		
<b>Financial Management Grant</b>		
Current-year receipts	1,300,000	1,500,000
Conditions met - transferred to revenue	(1,300,000)	(1,500,000)
	<u>-</u>	<u>-</u>
The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.		
<b>Lotto Grant</b>		
Current-year receipts	-	4,912,281
Conditions met - transferred to revenue	-	(4,912,281)
	<u>-</u>	<u>-</u>
This grant is to be used for the activation of an Arts and Culture programme at the Civic Theatre.		
<b>Municipal Accreditation Project Funding - Housing Grant</b>		
Balance unspent at beginning of year	3,628,261	3,628,261
Conditions met - transferred to revenue	(2,315,295)	-
	<u>1,312,966</u>	<u>3,628,261</u>
Conditions still to be met - remain liabilities (see note 22).		
The grant is allocated to the entity to finance and support the entity accreditation project as well as capacity development.		
<b>Municipal Human Settlement Capacity Grant</b>		
Current-year receipts	9,206,000	-
Conditions met - transferred to revenue	(6,421,315)	-
	<u>2,784,685</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 22).		
To build capacity in municipalities to deliver and subsidise the operational costs of administering human settlement programmes.		

# Mangaung Metropolitan Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

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

#### National Electrification Programme Grant

Current-year receipts	30,000,000	30,200,000
Conditions met - transferred to revenue	(30,000,000)	(30,200,000)
	-	-

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and the rehabilitation of electrification infrastructure. The grant was transferred to Centlec (SOC) Limited.

#### National Sports and Recreation Grant

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

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

#### Neighbourhood Development Grant

Current-year receipts	53,776,000	5,000,000
Conditions met - transferred to revenue	(21,535,723)	(5,000,000)
	<b>32,240,277</b>	-

Conditions still to be met - remain liabilities (see note 22).

This grant is to be used for the development of urban network plans, to improve the quality of life and access of residents in under-served neighbourhoods.

#### Sports, Arts & Culture - Admin libraries

Balance unspent at beginning of year	2,000,000	-
Current-year receipts	2,000,000	2,000,000
Conditions met - transferred to revenue	(708,826)	-
	<b>3,291,174</b>	<b>2,000,000</b>

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to fund the administration of public libraries within the Mangaung Metropolitan Municipality area.

#### Sports, Arts & Culture - Sport

Current-year receipts	-	4,000,000
Conditions met - transferred to revenue	-	(4,000,000)
	-	-

The purpose of the grant was to assist the City in hosting the Mangaung International Beach Volleyball Tournament in December 2014.

#### DWAF - Water Conservation Grant

Current-year receipts	-	942,277
Conditions met - transferred to revenue	-	(942,277)
	-	-

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

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>40. Government grants and subsidies (continued)</b>		
<b>Expanded Public Works Programme Incentive grant</b>		
Balance unspent at beginning of year	38,641	138,463
Current-year receipts	3,097,000	2,431,000
Conditions met - transferred to revenue	(3,135,641)	(2,392,359)
Surrendered to National Treasury	-	(138,463)
	<b>-</b>	<b>38,641</b>

Conditions still to be met - remain liabilities (see note 22).

The purpose of the grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

### Integrated city development grant

Current-year receipts	10,157,000	5,596,000
Conditions met - transferred to revenue	(10,060,766)	(5,596,000)
	<b>96,234</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 22).

To provide a financial incentive for metropolitan municipalities to achieve a more compact urban spatial form through integrating and focussing their use of available infrastructure investment and regulatory instruments.

### Public Transport Infrastructure and Network Systems Grant

Balance unspent at beginning of year	21,133,200	597,471
Current-year receipts	48,128,000	30,000,000
Conditions met - transferred to revenue	(63,072,200)	(8,866,800)
Surrendered to National Treasury	(6,189,000)	(597,471)
	<b>-</b>	<b>21,133,200</b>

Conditions still to be met - remain liabilities (see note 22).

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

### Sustainable Human Settlement Grant

Balance unspent at beginning of year	2,598,026	27,158,410
Other	(1,002,244)	(24,560,384)
	<b>1,595,782</b>	<b>2,598,026</b>

Conditions still to be met - remain liabilities (see note 22).

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

### Urban Settlement Development Grant

Balance unspent at beginning of year	77,535,555	70,726,573
Current-year receipts	693,847,000	654,406,000
Conditions met - transferred to revenue	(712,738,712)	(647,597,018)
	<b>58,643,843</b>	<b>77,535,555</b>

Conditions still to be met - remain liabilities (see note 22).

Supplements the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

Figures in Rand 2016 2015

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

**Department Telecom and Postal Services**

Current-year receipts 5,292,842 -

Conditions still to be met - remain liabilities (see note 22).

To develop information and communication technology (ICT) policies and legislation that create favourable conditions for accelerated and shared sustainable economic growth that positively impacts on the wellbeing of all South Africans.

**Changes in level of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act 3 of 2016), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

**41. Other income from non-exchange transactions**

Penalties	-	1,562,435
Unclaimed deposits and stale cheques	3,563,646	787,077
Public contributions and asset gains	12,902,770	-
	<b>16,466,416</b>	<b>2,349,512</b>

**42. Employee related costs**

Basic	794,248,315	706,921,218
Bonus	1,059,822	2,248,717
Contributions to medical aid	68,838,819	58,027,366
Contributions to pension funds	121,351,962	110,333,672
Contributions to UIF	6,467,775	5,959,055
Defined benefit plan - current service costs	36,257,000	30,395,000
Defined benefit plan - past service costs	-	24,045,000
Housing benefits and allowances	11,086,286	2,845,543
Overtime payments	141,363,616	122,052,837
Staff leave pay provision	23,049,835	26,500,353
Travel, motor car, accommodation, subsistence and other allowances	81,720,018	75,939,248
	<b>1,285,443,448</b>	<b>1,165,268,009</b>

**Remuneration of Accounting Officer**

Annual Remuneration	1,840,731	2,088,238
Car and Other Allowances	178,515	338,253
Contributions to UIF, Medical and Pension Funds	51,826	68,798
	<b>2,071,072</b>	<b>2,495,289</b>

The accounting officer was placed on suspension with full pay and benefits from 15 December 2015 to 29 February 2016. The accounting officer resigned as of 29 February 2016.

**Remuneration of Acting Accounting Officer**

Annual Remuneration	945,537	-
Car and Other Allowances	107,250	-
Contributions to UIF, Medical and Pension Funds	89,570	-
	<b>1,142,357</b>	<b>-</b>

This position had an official acting in it from 15 December 2015.

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>42. Employee related costs (continued)</b>		
<b>Remuneration of the Chief Financial Officer</b>		
Annual Remuneration	1,576,052	1,430,020
Car and Other Allowances	481,620	525,655
Contributions to UIF, Medical and Pension Funds	60,413	60,492
	<b>2,118,085</b>	<b>2,016,167</b>
<b>Remuneration of Executive Director - Corporate Services</b>		
Annual Remuneration	1,453,561	1,022,951
Car and Other Allowances	474,365	321,531
Contributions to UIF, Medical and Pension Funds	242,374	62,738
	<b>2,170,300</b>	<b>1,407,220</b>
The position was filled from September 2014.		
<b>Remuneration of Acting Executive Director - Corporate Services</b>		
Annual Remuneration	-	109,727
Car and Other Allowances	-	28,746
Contributions to UIF, Medical and Pension Funds	-	28,840
	-	<b>167,313</b>
The position had an official acting for the period July and August 2014.		
<b>Remuneration of Executive Director - Social Services</b>		
Annual Remuneration	1,486,675	1,357,537
Car and Other Allowances	252,925	304,383
Contributions to UIF, Medical and Pension Funds	307,380	289,323
	<b>2,046,980</b>	<b>1,951,243</b>
<b>Remuneration of Acting Executive Director - Planning</b>		
Annual Remuneration	838,808	-
Car and Other Allowances	115,678	-
Contributions to UIF, Medical and Pension Funds	140,610	-
	<b>1,095,096</b>	-
The position had an official acting from 27 October 2015.		
<b>Remuneration of Executive Director - Economic Development &amp; Planning</b>		
Annual Remuneration	-	1,127,900
Car and Other Allowances	-	216,000
Contributions to UIF, Medical and Pension Funds	-	14,980
	-	<b>1,358,880</b>
The position was filled from July 2014 to April 2015.		
<b>Remuneration of Executive Director - Human Settlements and Housing</b>		
Annual Remuneration	1,511,705	1,392,049
Car and Other Allowances	199,200	218,510
Contributions to UIF, Medical and Pension Funds	386,090	361,837
	<b>2,096,995</b>	<b>1,972,396</b>



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand 2016 2015

### 42. Employee related costs (continued)

#### Remuneration of Executive Director - Engineering Services

Annual Remuneration	1,557,597	1,424,128
Car and Other Allowances	439,200	494,577
Contributions to UIF, Medical and Pension Funds	59,619	38,765
	<b>2,056,416</b>	<b>1,957,470</b>

#### Remuneration of Acting Executive Director - Waste and Fleet Management

Annual Remuneration	131,015	-
Car and Other Allowances	6,000	-
Contributions to UIF, Medical and Pension Funds	1,516	-
	<b>138,531</b>	<b>-</b>

The position had an official acting from 1 June 2016.

#### Remuneration of Executive Director - Strategic Projects and Service Delivery

Annual Remuneration	1,759,640	1,556,297
Car and Other Allowances	199,200	334,805
Contributions to UIF, Medical and Pension Funds	64,720	61,962
	<b>2,023,560</b>	<b>1,953,064</b>

### 43. Remuneration of councillors

Councillors allowance	34,360,568	32,313,866
Councillors pension contributions	3,430,259	3,187,129
Medical aid contributions	499,796	478,408
Travel allowance	11,556,077	11,038,175
Cell phone allowance	2,432,467	2,434,213
Housing allowance	142,492	142,492
	<b>52,421,659</b>	<b>49,594,283</b>

In-kind benefits:

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

The Mayor and the Deputy Mayor each have the use of Council owned vehicles for official duties.

#### Executive Mayor

Councillors allowance	798,937	757,114
Councillors pension contributions	115,590	108,836
Medical aid contributions	17,280	17,280
Travel allowance	310,602	294,410
Cell phone allowance	45,420	45,420
	<b>1,287,829</b>	<b>1,223,060</b>

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

**Deputy Executive Mayor**

Councillors allowance	589,066	609,195
Councillors pension contributions	84,927	86,837
Medical aid contributions	15,840	17,280
Travel allowance	229,944	237,771
Cell phone allowance	41,635	45,420
	<b>961,412</b>	<b>996,503</b>

The late deputy executive mayor received her salary until 31 May 2016.

**Speaker**

Councillors allowance	947,867	858,172
Medical aid contributions	17,280	17,280
Travel allowance	-	37,385
Cell phone allowance	45,420	45,420
Housing allowance	38,246	38,246
	<b>1,048,813</b>	<b>996,503</b>

**Chief Whip**

Councillors allowance	616,285	585,207
Councillors pension contributions	89,225	83,523
Travel allowance	235,170	222,910
Cell phone allowance	24,468	24,468
	<b>965,148</b>	<b>916,108</b>

**Mayoral committee members**

Councillors allowance	5,114,481	4,891,346
Councillors pension contributions	738,838	643,816
Medical aid contributions	133,189	119,520
Travel allowance	2,018,777	1,940,999
Cell phone allowance	210,017	214,095
Housing allowance	80,246	80,246
	<b>8,295,548</b>	<b>7,890,022</b>

**Councillors**

Councillors allowance	26,293,932	24,612,831
Councillors pension contributions	2,401,680	2,264,118
Medical aid contributions	316,207	307,048
Travel allowance	8,761,583	8,304,700
Cell phone allowance	2,065,507	2,059,390
Housing allowance	24,000	24,000
	<b>39,862,909</b>	<b>37,572,087</b>

**44. Depreciation and amortisation**

Property, plant and equipment	567,105,927	556,478,545
Intangible assets	979,269	573,311
	<b>568,085,196</b>	<b>557,051,856</b>

**45. Impairment of assets**

**Impairments**

Property, plant and equipment	-	5,989,374
The recoverable amount of the asset was assessed at the end of the 2014/15 financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised.		

## Notes to the Annual Financial Statements

### 46. Finance costs

Defined benefit obligation	60,374,000	52,964,000
Finance leases	8,938,278	12,143,167
Intercompany loan - Centlec Payables	-	75,534,349
Non-current borrowings	71,172,617	31,668,068
	<b>140,484,895</b>	<b>172,309,584</b>

### 47. Debt impairment

Consumer and other receivables impaired and written off	465,223,523	600,426,422
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### 48. Bulk purchases

Water	419,812,317	430,764,023
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### 49. Contracted services

Audit fees	16,197,262	15,403,891
Consultant fees	35,443,111	32,132,125
Debt collection fees	38,759,899	42,243,986
Integrated call centre	9,920,692	9,620,061
Investigations	1,493,929	-
IPTN	90,732,485	-
Meter reading services	36,735,714	19,148,506
Meter replacement	12,846,872	8,318,616
Refuse removal	46,441,425	36,982,826
Security services	49,033,532	34,633,819
Other contractors	92,940,648	68,225,321
	<b>430,545,569</b>	<b>266,709,151</b>

### 50. Grants and subsidies paid

Bursaries paid to employees	1,822,458	1,196,486
Central agricultural society	11,288	10,751
Free electricity services	11,218,445	13,966,209
Miscellaneous grants	271,944	447,762
National electrification programme grant	30,000,000	30,200,000
SPCA	456,678	434,931
	<b>43,780,813</b>	<b>46,256,139</b>

#### *Bursaries paid to employees*

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

#### *Central Agricultural Society*

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

#### *Free electricity services*

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

#### *Miscellaneous grants*

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

#### *National Electrification Programme Grant*

The grant is used to implement the programme by providing capital subsidies to licensed distributors to address the programme in order to mitigate the risk of load shedding and supply interruptions. The grant was transferred to Centlec (SOC) Limited.

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

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

**Mangaung Metropolitan Municipality**  
Annual Financial Statements for the year ended 30 June 2016

**Notes to the Annual Financial Statements**

**51. General expenses**

Advertising	4,993,490	4,740,083
Animal Costs	3,010,526	3,299,684
Bank charges	6,518,440	6,490,231
Chemicals	5,249,696	4,359,287
Cleaning	577,443	1,658,399
Community development projects	2,216,111	1,900,885
Conferences and seminars	9,247,585	9,931,364
Consumables	13,022,699	10,259,706
Discount allowed	1,808,835	2,583,966
Electricity	52,580,499	46,046,612
Fuel and oil	26,687,786	29,691,684
Hire	4,780,857	4,321,847
Indigent burials	1,680,163	1,894,383
Insurance	12,396,241	9,507,738
Legal expenses	24,930,209	30,394,922
Marketing	5,838,677	20,682,256
Motor vehicle expenses	15,771,888	14,274,974
Operating lease expenditure	250,649	(462,575)
Other expenses	1,680,428	2,940,022
Postage and courier	6,534,410	5,316,157
Printing and stationery	10,188,718	9,195,593
Penalties and interest	451,134	89,398
Reconnection test and removal of meters	3,157,378	7,166,977
Refreshments	950,217	1,189,052
Rehabilitation of landfill and quarry sites	(26,546,401)	22,699,082
Royalties and license fees	8,683,690	10,190,245
Sewerage and waste disposal	817,358	641,082
Skills development levy	10,951,245	9,793,329
Software expenses	906,601	407,744
Special projects and public participation	32,197,351	23,689,867
Staff welfare	214,796	821,978
Subscriptions and membership fees	11,965,686	11,121,393
Telephone and fax	18,034,452	11,747,640
Title deed search fees	8,071,311	14,651,077
Tools, plant & equipment	509,555	2,130,338
Tourism development	485,547	2,805,933
Training	10,294,061	13,628,654
Travel - local	263,089	278,822
Uniforms	7,086,185	5,135,466
Vacuum Services	61,754	102,066
Water	278,424	(545,177)
Water research	3,192,602	3,070,234
Sundry expenses	37,983,959	27,938,385
	<b>339,975,344</b>	<b>387,780,803</b>

**52. Fair value adjustments**

Investment property (Fair value model)	(138,813,363)	-
Other financial assets		
• Other financial assets (Designated as at FV through P&L)	(304,778)	9,683
	<b>(139,118,141)</b>	<b>9,683</b>

## Notes to the Annual Financial Statements

### 53. Cash generated from operations

(Deficit) surplus	(224,952,676)	77,509,006
<b>Adjustments for:</b>		
Depreciation and amortisation	568,085,196	557,051,856
Gain on sale of assets and liabilities	27,219,553	9,092,423
Fair value adjustments	139,118,141	(9,683)
Finance costs - Finance leases	8,938,278	12,143,167
Finance costs - Borrowings	71,172,617	31,668,068
Finance costs - Centlec	(145,901,327)	(280,112,214)
Impairment deficit	-	5,989,374
Movements in retirement benefit assets and liabilities	81,077,000	85,378,000
Movements in provisions	24,837,075	(3,664,091)
Unwinding of FRESCHO liability	(10,394,123)	(7,524,321)
<b>Changes in working capital:</b>		
Inventories	(55,566,778)	(28,147,254)
Other receivables from exchange transactions	(5,393,679)	(1,714,530)
Consumer debtors	16,986,916	61,181,876
Other receivables from non-exchange transactions	(3,644,046)	2,705,606
Centlec Intercompany Loan	(208,156,017)	(709,344,553)
Other receivables from non-exchange transactions	(38,000,832)	(32,012,713)
Payables from exchange transactions	499,590,082	(57,618,412)
VAT	103,671,041	(106,196,065)
Payables from non-exchange transactions	6,784,847	130,921,451
Unspent conditional grants and receipts	(1,400,510)	3,780,715
Centlec intercompany loan	153,201,370	936,968,445
	<b>1,007,272,128</b>	<b>688,046,151</b>

## Notes to the Annual Financial Statements

### 54. Commitments

#### Commitments in respect of capital expenditure

##### Approved and contracted for

• Infrastructure assets	478,914,513	180,133,109
• Other asset classes	62,320,131	47,851,598
	<b>541,234,644</b>	<b>227,984,707</b>

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

Unspent conditional grants and receipts	106,083,319	107,483,829
Borrowings	435,151,326	119,500,879
	<b>541,234,645</b>	<b>226,984,708</b>

During the current year, errors relating to the commitment register were corrected. The effect of the change is as follows:  
Commitment increased by R10,859,467.

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

##### Minimum lease payments due

- within one year	378,734	887,442
- in second to fifth year inclusive	723,345	1,221,627
	<b>1,102,079</b>	<b>2,109,069</b>

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

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

##### Minimum lease payments due

- within one year	5,902,580	5,633,273
- in second to fifth year inclusive	24,952,480	19,297,005
- later than five years	29,428,927	30,137,406
	<b>60,283,987</b>	<b>55,067,684</b>

The entity leases various fixed properties under non-cancellable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R 19,371,904 (2015: R 24,950,902) has been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease. There are no purchase options. There was no contingent rent during the year.

Comparative information has been restated due to reconstruction of the lease register and the accounting for the contract extensions which were not previously accounted for. The restatement is as follows:

##### Minimum lease payments due

- later than five years - decreased by R3,514,673

## Notes to the Annual Financial Statements

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### 55. Contingencies

#### Housing guarantees

The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed below are the possible outflow amounts.

Housing guarantees	3,611,511	3,686,859
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#### Contingent liabilities

The entity is involved in the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts:

Probable legal costs to be incurred for various matters handled by various attorneys	1,813,387	27,578,703
Labour cases and employee related matters	588,239	7,528,441
Claims by individuals due to property damages in various incidents	175,000	2,024,930
Claims by individuals due to various incidents	20,072,661	5,026,744
Claims from suppliers due to contractual disputes	-	43,133,786
Centlec (SOC) Limited - consumption of public lighting	125,246,193	81,588,277
Centlec (SOC) Limited - consumption of Mangaung properties	78,048,401	61,339,478
Centlec (SOC) Limited - repairs and maintenance of public lighting	53,762,028	53,762,028
	<b>279,705,909</b>	<b>281,982,387</b>

The entity has a claim against it for the consumption of all public lighting (streetlights), as well as the electricity consumption of the properties owned by the entity in the Mangaung Metropolitan area from Centlec (SOC) Limited.

Furthermore, there is a claim from Centlec (SOC) Limited for the repairs and maintenance to public lighting.

## Notes to the Annual Financial Statements

### 56. Related parties

#### Relationships

Loan to controlled entity Refer to note 16

A company, Centlec (SOC) Limited, of which the entity is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account.

#### Related party balances

##### Loan accounts - Owing (to) by related parties

Centlec (SOC) Limited - Shareholders loan	1,071,479,158	1,071,479,158
Centlec (SOC) Limited - Advances	95,262,840	102,562,882
Centlec (SOC) Limited - Intercompany loan balance	917,500,570	709,344,553

##### Amounts included in Trade receivable / (Trade Payable) regarding related parties

Centlec (SOC) Limited - Other payables - Grants	64,830,755	(26,518,917)
Centlec (SOC) Limited - Trade payables	(86,421,390)	(76,161,390)
Centlec (SOC) Limited - Other receivables from exchange transactions	4,000,000	4,000,000

##### Investment in related party

Centlec (SOC) Limited	100	100
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#### Related party transactions

##### Interest paid to (received from) related parties

Centlec (SOC) Limited - Advances	(9,487,067)	(9,888,796)
Centlec (SOC) Limited - Shareholders loan	(136,414,260)	(270,223,418)
Centlec (SOC) Limited - Intercompany loan	(71,915,495)	75,534,349
Centlec (SOC) Limited - Electricity accounts outstanding	2,470	1,773,190

##### Transfers to related parties

Transfer of assets to Centlec (SOC) Limited	3,643,446	-
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##### Expenses paid to/(Income received from) related parties

Centlec (SOC) Limited - Income from agency services	(96,009,980)	(108,370,538)
Centlec (SOC) Limited - Electricity charges - streetlight consumption	9,000,000	11,313,237
Centlec (SOC) Limited - Electricity charges - municipal consumption	41,499,687	32,728,988
Centlec (SOC) Limited - Repairs and maintenance on streetlights	-	26,918,282
Centlec (SOC) Limited - Grants paid	24,331,085	35,733,446

##### (Receipts)/Payments on behalf of Centlec (SOC) Limited

Bank receipts	(8,208)	(188,114)
Telephone expenses	770,420	181,423

#### Key management information

No transactions took place between the entity and key management personnel or their close family members during the reporting period.

Details relating to remuneration are disclosed in note 42 for key management and note 43 for councillors.

### 57. Prior period errors

#### 1. Prior period error - VAT Apportionment

During the current year the VAT was paid for the apportionment of the 2015 VAT.

##### Statement of financial position

Decrease in VAT Receivable	-	(382,750)
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##### Statement of financial performance

Increase in General expenditure	-	382,750
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# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Prior period errors (continued)

#### 2. Prior period error - Input VAT denied

During the current year SARS denied input VAT relating to the prior year.

##### Statement of financial position

Decrease in VAT Receivable - (333,367)

##### Statement of financial performance

Increase in General expenses - 333,367

- -

#### 3. Prior period error - Input VAT

##### Statement of financial position

Decrease in VAT Receivable - (1,238,586)

Increase in Accumulated Surplus - 1,238,586

- -

#### 4. Prior period error - Training costs

The classification of training costs was incorrect during the prior year.

##### Statement of financial performance

Increase in sundry income - (32,071)

Increase in general expenditure - 32,071

- -

#### 5. Prior period error - Revenue Foregone

Due to clarification from the Standards of GRAP regarding classification between Revenue Foregone and Grants Given, the following reclassification needed to be performed:

##### Statement of financial performance

Decrease in Property Rates - Residential and business/commercial - 12,326,074

Decrease in Service charges - Sewerage and sanitation charges - 86,611,357

Decrease in Service charges - Refuse removal - 59,852,563

Decrease in Service charges - Sale of water - 13,619,408

Decrease in Grants and subsidies paid - Subsidised municipal services - (172,409,402)

- -

#### 6. Prior period error - Conditional Grants

The prior period error arose in terms of grant expenditure not being realised to revenue when the conditions were met in the prior years

##### Statement of financial position

Increase in Accumulated Surplus - (18,786,182)

Decrease in Unspent Conditional Grants - 18,786,182

- -

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**57. Prior period errors (continued)**

**7. Prior period error - Centlec Apprentices**

During the current year it was noted that Income from Agency services were incorrectly raised on employees which were included in an apprentice scheme and therefore should not have been charged.

<b>Statement of financial position</b>	
Decrease in Centlec Intercompany loan	- (2,714,375)
Decrease in accumulated surplus	- 1,280,785
Decrease in VAT receivable	- 333,344
<b>Statement of financial performance</b>	
Decrease in income from Agency services	- 1,100,246
	<u>- -</u>

**8. Prior period error - VAT on Impairment**

During the year, it was confirmed that VAT on the impairment of debtors was previously treated incorrectly. As a result, an adjustment was made to the balance on the VAT accounts.

<b>Statement of financial position</b>	
Decrease in VAT payable	- 140,284,249
Increase in accumulated surplus	- (111,103,370)
<b>Statement of financial performance</b>	
Decrease in impairment	- (29,180,879)
	<u>- -</u>

**9. Prior period error - Rates appeals**

During the year it was noted that the adjustment for the valuation appeals was not effected on the system during the same period as the appeal board reached its decision.

<b>Statement of financial position</b>	
Decrease in Consumer receivables from non-exchange transactions	- (93,735,051)
Decrease in Consumer receivables from exchange transactions	- (12,889,276)
Increase in VAT receivable	- 9,999
Decrease in accumulated surplus	- 3,089,819
<b>Statement of financial performance</b>	
Decrease in property rates	- 91,290,737
Decrease in service charges - sewerage	- 12,233,772
	<u>- -</u>

**10. Prior period error - Deferred lease income**

The operating leases income register was revised to include only contracts with end date. Contracts which were effective during the 2014/15 financial year were identified during the current year, these had to be taken into account for the straightlining in the previous year.

<b>Statement of financial position</b>	
Decrease in trade payables - deferred lease income	- 499,509
<b>Statement of financial performance</b>	
Decrease in general expenditure - hire	- (499,509)
	<u>- -</u>

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**57. Prior period errors (continued)**

**11. Prior period error - Classification of unclaimed deposits**

Revenue from unclaimed deposits was identified to have been incorrectly classified as revenue from exchange transactions. This classification was corrected during the current year.

**Statement of financial performance**

Increase in other income from non-exchange transactions	-	(787,077)
Decrease in other income from exchange transactions	-	787,077
	-	-

**12. Prior period error - Adjust opening balances of PPE to align to the asset registers**

Adjustments were made to align the land and buildings asset register to the accounting records.

**Statement of financial position**

Decrease in Cost of PPE - Buildings	-	(800)
Decrease in Cost of PPE - Land	-	(1)
Decrease in Accumulated depreciation of PPE - Buildings	-	332
Decrease in Accumulated Surplus	-	801

**Statement of financial performance**

Decrease in Depreciation	-	(332)
	-	-

**13. Prior period error -**

**Statement of financial position**

Increase in Cost of PPE - Buildings	-	439,867
Increase of Cost of PPE - Land	-	32,264,633
Decrease in Cost of Investment Property	-	(32,464,500)
Decrease in Cost of Inventory	-	(38,892)
Increase in Accumulated Depreciation - Buildings	-	(25,875)
Increase in Revaluation Reserve	-	(8,504,058)
Decrease in accumulated surplus	-	8,315,887

**Statement of financial performance**

Increase in depreciation	-	12,938
	-	-

**14. Prior period error - Adjustment of opening balances - Community**

Adjustments were made to align the community asset register to the accounting records.

**Statement of financial position**

Decrease in Cost of PPE - Community Assets	-	(364,821)
Decrease in Cost of PPE - WIP Community Assets	-	(54,722)
Decrease in Accumulated depreciation - Community assets	-	688,380
Increase in Accumulated Surplus	-	419,543

**Statement of financial performance**

Decrease in depreciation	-	(688,380)
	-	-

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### 57. Prior period errors (continued)

#### 15. Prior period error - Community and Infra depreciation

An error in the calculation of depreciation for community and infrastructure assets was rectified.

##### Statement of financial position

Increase in Accumulated depreciation	-	(25,944,035)
Decrease in Accumulated Surplus	-	13,463,575

##### Statement of financial performance

Increase in Depreciation	-	12,480,460
	-	-

#### 16. Prior period error - Capitalisation of WIP in prior year - Bloemfontein park

Community WIP was not appropriately capitalised.

##### Statement of financial position

Increase in Cost of PPE - Community assets	-	4,412,396
Decrease in Cost of PPE - WIP Community	-	(4,412,396)

#### 17. Prior period error - Re-classification of investment property to Inventory

During the year, properties that should have been classified as inventory were identified as part of investment property.

##### Statement of financial position

Decrease in Cost of Investment Property	-	(790,000)
Increase in Inventory	-	99,783
Decrease in Accumulated Surplus	-	690,217

#### 18. Prior period error - Derecognition of unknown property

During the year, properties were identified which the deeds office has no record of ownership. These properties have therefore been removed from the asset register.

##### Statement of financial position

Decrease in Investment property	-	(570,000)
Decrease in Accumulated surplus	-	570,000

#### 19. Prior period error - Heritage assets Hertzog Park capitalisation

Hertzog Park was erroneously excluded from the Heritage Asset register in prior years.

##### Statement of financial position

Increase in cost of heritage assets	-	596,582
Increase in accumulated surplus	-	(596,582)

#### 20. Prior period error - Heritage assets - repairs to City Hall incorrectly capitalised to 1314

Repairs and maintenance to City Hall were incorrectly carried as WIP within heritage assets, and not expensed as it should have been.

##### Statement of financial position

Decrease in cost of heritage assets	-	(684,236)
Increase in accumulated surplus	-	684,236

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**57. Prior period errors (continued)**

**21. Prior period error - Infrastructure adjustments to opening balance**

Adjustments were made to align the infrastructure asset register to the accounting records.

<b>Statement of financial position</b>	
Decrease in cost of PPE - Infrastructure	- (19,999)
Decrease in Cost of PPE - WIP Infrastructure	- (79,183)
Decrease in Accumulated depreciation - Infrastructure	- (29,793)
Decrease in accumulated surplus	- 99,182
<b>Statement of financial performance</b>	
Increase in Depreciation	- 29,793
	<u>- -</u>

**22. Prior period error - Correction of amount derecognised during 2014: maintenance related expenditure**

Capital expenditure incurred in prior years was erroneously expensed and not recorded as part of the WIP for infrastructure assets.

<b>Statement of financial position</b>	
Increase in cost of PPE - WIP Infrastructure assets	- 5,897,929
Increase in accumulated surplus	- (5,897,929)
	<u>- -</u>

**23. Prior period error - Amounts capitalise in excess of actual spend**

<b>Statement of financial position</b>	
Increase in Cost of PPE - WIP Infrastructure	- 1,460,703
Increase in accumulated surplus	- (1,460,703)
	<u>- -</u>

**24. Prior period error - Finance leases**

During the year it was identified that a Mercedes Benz, fleet number 1021, was not accounted for in the 2014/2015 period.

<b>Statement of financial position</b>	
Increase in property, plant and equipment	- 2,207,217
Increase in finance lease liability	- (2,207,217)
Increase in accumulated depreciation	- (432,977)
<b>Statement of financial performance</b>	
Increase in depreciation	- 432,977
	<u>- -</u>

**25. Prior period error - Impairment incorrectly raised in prior year**

The impairment that was previously raised on assets in the prior year was found to be incorrect.

<b>Statement of financial position</b>	
Decrease in accumulated depreciation	- 1,827,805
<b>Statement of financial performance</b>	
Decrease in impairment loss	- (1,827,805)
	<u>- -</u>

**26. Prior period error - Traffic fines**

The traffic fines receivable listing and the accounting records were aligned.

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**57. Prior period errors (continued)**

**Statement of financial position**

Decrease in Other receivables from non-exchange transactions - (1,527,198)

**Statement of financial performance**

Decrease in fines revenue - 1,527,198

- -

**27. Prior period error - Community assets**

Through inspection of the WIP register, a project that should have been capitalised was identified.

**Statement of financial position**

Increase in cost of PPE - WIP Buildings - 6,183,065

Decrease in cost of PPE - WIP Community Assets - (6,657,865)

**Statement of financial performance**

Increase in Maintenance - 130,380

Increase in Contracted services - 344,420

- -

**28. Prior period error - Billing of industrial effluent**

During the year, it was identified that a customer was billed at the incorrect rate for industrial effluent. This rate was adjusted during the year and the balance corrected.

**Statement of financial performance**

Decrease in other receivables from exchange transactions - sundry debtors - (2,621,121)

Decrease in accumulated surplus - 2,049,205

**Statement of financial performance**

Decrease in sundry income - 571,916

- -

**58. Comparative figures**

Certain comparative figures have been reclassified to more closely reflect their purpose.

The effects of the reclassification are as follows:

**Statement of Financial Performance**

Increase in Contracted services - Refuse removal - 36,982,826

Decrease in General expenditure - Refuse removal - (36,982,826)

**Other income from exchange transactions**

Advertising - (1,163,857)

Sundry income - 1,163,857

# Mangaung Metropolitan Municipality

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### 59. Risk management

#### Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk.

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing the financial risks. Further quantitative disclosures are included throughout the financial statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principals on interest rate risk, credit risk and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

#### Liquidity risk

Liquidity risks is the risk that the entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored

The entity has defaulted on external loans, as disclosed in note 24, but did not default on payables and leave commitment payments. No re-negotiation of terms were made on any of these instruments

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been raised accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>At 30 June 2016</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>
Borrowings	100,965,373	673,092,550	-
Finance lease obligations	42,373,894	29,589,741	-
Trade payables from exchange transactions	990,536,781	-	-
Trade payables from non-exchange transactions	286,199,407	-	-
<b>At 30 June 2015</b>	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>
Borrowings	35,002,986	178,048,790	379,133,799
Finance lease obligations	40,940,164	65,478,721	-
Trade payables from exchange transactions	510,918,097	-	-
Trade payables from non-exchange transactions	279,414,560	-	-

There has been no change, since the previous financial year, to the entity's exposure to liquidity risks or the manner in which it manages and measures the risks.

## Notes to the Annual Financial Statements

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### 59. Risk management (continued)

#### Credit risk

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

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

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

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been raised accordingly. The impaired receivables are mostly due from customers defaulting on the service costs levied by the entity.

Receivables are presented net of an allowance for impairment.

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

<b>Financial instrument</b>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	61,967,778	224,833,758
Centlec receivables	1,166,886,587	1,174,042,040
Centlec intercompany loan	917,500,570	709,344,553
Consumer receivables from exchange transactions	450,909,821	412,908,989
Consumer receivables from non-exchange transactions	262,419,381	283,520,232
Other non-current receivables from exchange transactions	278,365	657,928
Other receivables from exchange transactions	34,325,339	28,931,660
Other receivables from non-exchange transactions	4,454,092	810,045
Financial instruments designated at fair value	33,107	32,498

The entity is exposed to a number of guarantees for housing loans of employees. Refer to note 55 for additional details.

These balances represent the maximum exposure to credit risk.

There has been no change, since the previous financial year, to the entity's exposure to credit risks or the manner in which it manages and measures the risks.

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the entity's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year, to the entity's exposure to market risks or the manner in which it manages and measures the risks.



# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

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### 59. Risk management (continued)

#### Interest rate risk

Interest rate risk is defined as the risk that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates.

At year end, the financial instruments exposed to interest rate risk were as follows:

- Call, notice and fixed deposits
- Development Bank of South Africa and Standard Bank of South Africa Limited loans
- Finance lease obligations

The entity's interest rate risk arises from long-term borrowings and finance leases. Borrowings and finance leases issued at variable rates expose the entity to cash flow interest rate risk.

Borrowings and finance leases issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to maintain the majority of its borrowings and finance leases in fixed rate instruments. During 2016 and 2015, the entity's borrowings and finance leases at variable rate were denominated in the Rand.

#### Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

The entity does not hedge foreign exchange fluctuations.

#### Price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the statement of financial position at fair value through surplus or deficit. The entity is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the entity diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the entity.

The fair value of financial assets with standard terms and conditions, and are traded in an active market is determined with reference to quoted market bid prices, and asked prices respectively.

### 60. Going concern

We draw attention to the fact that at 30 June 2016, the entity had an accumulated surplus of R 10,530,711,555 and that the entity's total assets exceed its liabilities by R 11,418,727,688.

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

Although certain going concern ratios may appear unfavourable, the entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 3 of 2016).

The entity has an intercompany loan to Centlec SOC (Ltd), as shown under note 9 to an amount of R 917,500,570 (2015: R 709,344,553). The current ratio is calculated at 0.60:1 (2015: 1.04:1), when excluding the loan, as the entity has full control over the municipal entity.

### 61. Unauthorised expenditure

Opening balance	1,498,474,005	1,067,601,004
Unauthorised expenditure - current year	616,208,660	430,873,001
	<b>2,114,682,665</b>	<b>1,498,474,005</b>

The comparative year figure has been restated as follows:

- Decrease in Unauthorised expenditure - current year by R10,002,012
- Incidents regarding 2014/2015
- Decrease in Overspending by Finance by R10,002,012

Comparative information has been restated due to correction of prior period errors and omissions.

# Mangaung Metropolitan Municipality

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### 61. Unauthorised expenditure (continued)

#### Incidents regarding 2015/2016

	Disciplinary steps taken / criminal proceedings		
Overspending by City Manager	None	58,351,818	-
Overspending by Engineering Services	None	348,685,587	-
Overspending by Water Services	None	61,133,811	-
Overspending by Waste and Fleet Management Services	None	8,718,871	-
Overspending by Miscellaneous Services	None	136,335,240	-
Overspending by Human Settlements and Housing	None	2,983,333	-
		<b>616,208,660</b>	<b>-</b>

#### Incidents regarding 2014/2015

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	219,866,948
Overspending by Water services	None	-	132,743,282
Overspending by Miscellaneous services	None	-	59,117,035
Overspending by Miscellaneous services	None	-	19,145,736
		-	<b>430,873,001</b>

#### Incidents regarding 2013/2014

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	335,548,820
Overspending by Water services	None	-	6,503,968
Overspending by Miscellaneous services	None	-	324,571,205
Overspending by Property rates	None	-	6,472,972
		-	<b>673,096,965</b>

#### Incidents regarding 2012/2013

	Disciplinary steps taken / criminal proceedings		
Overspending by Infrastructure services	None	-	19,535,661

#### Incidents regarding 2011/2012

	Disciplinary steps taken / criminal proceedings		
Overspending by Finance directorate	None	-	35,020,886
Overspending by Infrastructure services	None	-	29,551,033
Overspending by Regional operations	None	-	159,247,863
Overspending by Miscellaneous services	None	-	44,318,396
Overspending by Corporate services	None	-	37,317,682
Overspending by Fresh Produce Market	None	-	177,295
Overspending by Water services	None	-	1,623,331
		-	<b>307,256,486</b>

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### 61. Unauthorised expenditure (continued)

#### Incidents regarding 2010/2011

	Disciplinary steps taken / criminal proceedings		
Overspending by Fresh Produce Market	None	-	417,912
Overspending by Miscellaneous services	None	-	29,774,764
Overspending by Water services - Operating	None	-	23,353,983
Overspending by Water services - Capital	None	-	14,165,233
		-	<b>67,711,892</b>

The unauthorised expenditure relates to the following:

#### 1. Office of the City Manager:

The over expenditure on this vote relates to additional costs incurred with regard to the IPTN implementation.

#### 2. Engineering Services

The over expenditure on this vote relates to the depreciation, amortisation and impairment of assets exceeding the budgeted amounts. Additionally, expenditure relating to the fair value adjustments on the landfill and quarries provisions was in excess of the budgeted amounts.

#### 3. Water Services

The over expenditure on this vote is as a result of the provision for doubtful debts within this vote being in excess of the budgeted amount.

#### 4. Waste and Fleet Management Services

The over expenditure incurred on this vote is mainly as result of additional overtime payments incurred to attend to urgent repairs to various areas in the City.

#### 5. Miscellaneous Services

The over expenditure incurred on this vote relates to the provision for doubtful debts within this vote being in excess of the budgeted amount.

#### 6. Human Settlements and Housing

The over expenditure incurred on this vote relates to the loss incurred on the sale of municipal assets which was not budgeted for.

### 62. Fruitless and wasteful expenditure

Opening balance	28,534,039	28,324,936
Fruitless and wasteful expenditure for the current year	665,680	209,103
	<b>29,199,719</b>	<b>28,534,039</b>

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**62. Fruitless and wasteful expenditure (continued)**

**Incidents regarding 2015/2016**

	Disciplinary steps taken / criminal proceedings		
Interest paid to Eskom due to late payment	None	126,869	-
Interest paid to Razzmatazz (Pty) Ltd due to late payment	None	11,700	-
Interest paid to FDC due to late payment	None	1,115	-
Interest paid to PEC Metering due to late payment	None	544	-
Interest paid to UMFA due to late payment	None	445	-
Interest paid to Telkom SA Limited due to late payment	None	172,480	-
Interest paid to Kramer, Weihmann and Joubert due to late payment	None	3,796	-
Interest and penalties paid to SARS due to late payment and under declaration of VAT	None	117,852	-
Councillors who had their membership terminated were paid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	230,879	-
		<b>665,680</b>	<b>-</b>

**Incidents regarding 2014/2015**

	Disciplinary steps taken / criminal proceedings		
Interest paid to Eskom due to late payment	None	-	20,469
Interest paid to FDC due to late payment	None	-	256
Interest paid to Lawyers due to late payment	None	-	5,549
Interest paid to PEC Metering due to late payment	None	-	402
Interest paid to Telkom due to late payment	None	-	57,044
Interest paid to SARS due to late payment	None	-	45,077
Interest paid to Phethogo Consulting CC due to late payment	None	-	78,938
Interest paid to UMFA due to late payment	None	-	213
Interest paid to Merchant West (Pty) Ltd due to late payment	None	-	1,155
		<b>-</b>	<b>209,103</b>

**Incidents regarding 2013/2014**

	Disciplinary steps taken / criminal proceedings		
Interest paid to Eskom due to late payment	None	-	138,247
Interest paid to FDC due to late payment	None	-	783
Interest paid to Broll due to late payment	None	-	976
Interest paid to Bloemwater due to late payment	None	-	240
Interest paid to Lawyers due to late payment	None	-	769
Interest paid to PEC Metering due to late payment	None	-	417
Interest paid to Dlamini and Associates due to late payment	None	-	525
Interest paid to Standard Bank of South Africa due to late payment	None	-	3,818
Interest paid to Wright Rose Innes INC due to late payment	None	-	2,360
Interest paid to Dierhospitaal due to late payment	None	-	208
		<b>-</b>	<b>148,343</b>

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**62. Fruitless and wasteful expenditure (continued)**

**Incidents regarding 2012/2013**

	Disciplinary steps taken / criminal proceedings		
Interest paid to Ruwacon (Pty) Ltd due to late payment	None	-	42,879
Interest paid to Eskom due to late payment	None	-	41,415
Interest paid to FDC due to late payment	None	-	804
Interest paid to Rossouws Attorneys due to late payment	None	-	390
Interest paid to Rural Maintenance (Pty) Ltd due to late payment	None	-	57
No Show penalty for 7 Councillors on 29 January 2013, for accommodation at Protea Hotel	None	-	12,247
Interest paid to UMFA/FS Business Trust due to late payment	None	-	165
Interest and penalties paid to SARS due to late submission of a VAT return	None	-	147,204
Interest paid to Bloemwater due to late payment	None	-	4,851
Interest paid to Merchant West (Pty) Ltd due to late payment	None	-	60,820
Interest paid to Telkom SA limited due to late payment	None	-	100,031
Interest paid to Lawyers due to late payment	None	-	11,506
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	-	375,765
		-	<b>798,134</b>

**Incidents regarding 2011/2012**

	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of a VAT return.	None	-	113,832
Penalties and interest paid on the late submission VAT return of prior years	None	-	13,816,522
Interest paid on overdue accounts	None	-	31,163
Interest paid on overdue accounts - Telkom	None	-	38,520
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	-	378,254
		-	<b>14,378,291</b>

**Incidents regarding 2010/2011**

	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of a VAT return	None	-	7,729,134
Penalties and interest paid on the late submission of PAYE, UIF and SDL	None	-	171,147
		-	<b>7,900,281</b>

**Incidents regarding 2009/2010**

	Disciplinary steps taken / criminal proceedings		
Penalties and interest paid on the late submission of VAT return.	None	-	5,099,888

**63. Irregular expenditure**

Opening balance	247,341,729	239,275,471
Add: Irregular Expenditure - current year	4,832,573	8,066,258
	<b>252,174,302</b>	<b>247,341,729</b>

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 63. Irregular expenditure (continued)

#### Analysis of expenditure awaiting condonation per age classification

Current year	4,832,573	8,066,258
Prior years	247,341,729	239,275,471
	<b>252,174,302</b>	<b>247,341,729</b>

#### Details of irregular expenditure – current year

Expenditure items identified where the supply chain management process was not followed	Disciplinary steps taken/criminal proceedings The expenditure was identified during the current financial year and still needs to be investigated	4,601,694
Councillors who had their membership terminated were paid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	The expenditure was identified during the current financial year and still needs to be investigated	230,879
		<b>4,832,573</b>

### 64. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription fee	11,800,000	11,096,000
Amount paid - current year	(11,800,000)	(11,096,000)
	-	-

Contributions to organised local government consists of annual subscriptions paid to SALGA.

#### Audit fees

Opening balance	396,010	1,002,948
Current year regularity audit fees	14,499,364	15,698,093
Amount paid - previous years	(396,010)	(1,002,948)
Amount paid - current year	(16,197,262)	(15,302,083)
	<b>(1,697,898)</b>	<b>396,010</b>

During the current year an error was discovered in the disclosure of the prior year audit fees.

The comparative figure for audit fees has been adjusted as follows:

- Current year fees has increased by R398,184
- Amount paid - current year has increased by R2,174
- Closing balance has increased by R396,010

#### PAYE and UIF

Current year subscription / fee	202,891,816	175,823,068
Amount paid - current year	(185,563,073)	(175,823,068)
	<b>17,328,743</b>	-

#### Pension and Medical Aid Deductions

Current year subscription / fee	288,253,225	254,328,359
Amount paid - current year	(263,736,669)	(254,328,359)
	<b>24,516,556</b>	-

#### Councillors' arrear consumer accounts

Refer to Appendix H for details regarding the councillors' arrear consumer accounts.

#### Bulk water losses

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 64. Additional disclosure in terms of Municipal Finance Management Act (continued)

Material bulk water losses during the year under review were as follows and are not recoverable. The main reason for incurring water losses related to burst water pipes, leaks and unmetered sites.

	Kilo liter	Cost per Kilo liter	Total loss in Rands
2016	24,521,368	5.97	146,392,570
2015	33,281,104	5.21	173,394,547

In the prior year the cost per kilo liter was incorrectly stated at R5.04, and not R5.21. This matter has been corrected in the current year, resulting in the following changes to the comparative figures:  
Total loss increased by R5,657,788

### 65. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

### 66. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

### 67. Deviation from supply chain management regulations

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

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

For the financial year there were instances where goods and services were procured and deviated from the normal supply chain management policy.

The reasons for these deviations were documented and reported to the Accounting officer who considered them and approved the deviation from the normal Supply Chain Management Regulations.

<b>Deviations 2016</b>	Rands	Number of deviations
Emergency	3,101,903	18
Sole supplier	9,817,992	28
Impractical	991,270	9
Urgent	72,000	1
	<b>13,983,165</b>	<b>56</b>

  

<b>Deviations 2015</b>	Rands	Number of deviations
Emergency	6,403,085	40
Sole supplier	6,098,316	23
Impractical	9,833,291	38
	<b>22,334,692</b>	<b>101</b>

## **Notes to the Annual Financial Statements**

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### **68. Budget differences**

#### **Changes from the approved budget to the final budget**

##### **Statement of financial performance:**

- A1 - Property rates revenue were adjusted downwards due to the downwards adjustment of property values as a result of the decisions from the Valuation Appeals Board.
- A2 - Service charges revenue were adjusted downwards due to the level of performance as at the time of the mid-year performance evaluation.
- A3 - The adjustments to transfers recognised were made in line with the adjustments in government funding and funds rolled over from the prior year.
- A4 - The adjustment was made due to the expected increase in the interest on the shareholders loan from Centlec (SOC) Ltd.
- A5 - Employee costs were adjusted downwards due to the savings made on employee costs at the mid year review as a result of vacancies.
- A6 - The adjustment was made due to the balance of the Centlec intercompany receivable being favourable to the entity and no interest costs expected.
- A7 - Increase due to the expected increase in road maintenance to be done.
- A8 - Adjustment made due to the expected decrease in free basic services based on performance as at mid year review.
- A9 - The adjustment made mainly due to the expected increase in costs of refuse collection, and the IPTN expenditure expected.

##### **Statement of financial position:**

A10 - Changes to the statement of financial position budget were made due to the audited financial statements as at 30 June 2015 becoming available after the finalisation of the audit. The changes were done in order to align the budget statement of financial position, taking into account the closing balances as per the financial statements, as well as changes made on the statement of financial performance and budgeted capital expenditure.

##### **Cash flow statement:**

A11 - Changes to the cash flow statement were made due to the anticipated cash position of the entity as a result of the adjustments made to the statements of financial performance and position.



## Notes to the Annual Financial Statements

Figures in Rand

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### 68. Budget differences (continued)

#### Material differences between the budget and actual amounts

##### Statement of financial performance:

- B1 - Property rates has a favourable variance due to the result of the rates appeals being corrected, and more billing than anticipated for the period than what was budgeted.
- B2 - Unfavourable variance due to less water billed for the period than budgeted mainly due to water restrictions.
- B3 - Favourable variance due to interest received from the entity on the intercompany loan.
- B4 - Transfers recognised for operating and capital grants had favourable and unfavourable variances respectively due to the different conditions being achieved for the conditional grants. Capital projects had slower implementation, therefore less revenue was recognised.
- B5 - Other own revenue has an unfavourable due to a combination of under/over collection on various revenue items, non-cash items and GRAP issues only accounted for when finalising the financial statements.
- B6 - Favourable variance due to the moratorium placed on the filling of vacancies.
- B7 - Debt impairment has an unfavourable variance as the provision for doubtful debts was in excess of the anticipated provision.
- B8 - Depreciation has an unfavourable variance as a result of the increased asset base.
- B9 - Unfavourable variance due to additional interest costs incurred on long term borrowings towards year end.
- B10 - Material and bulk purchases had an unfavourable variance due to an increase in repairs and maintenance, especially on buildings.
- B11 - Transfers and Grants paid have a favourable variance mainly due to the change in the accounting treatment of grants given on the free basic services.
- B12 - Other expenditure has an unfavourable fluctuation mainly as a result of losses incurred on asset sales.

##### Statement of financial position:

- B13 - Variance due to the activities reported in the statement of financial performance and the resultant financial position of the entity.

##### Cash flow statement:

- B14 - Variance due to the activities reported in the statement of financial performance and the resultant financial position of the entity.

#### Reconciliation between Total Revenue and Total Expenditure

R1 - Fair value adjustments and gains on the disposal of non-current assets are classified as revenue for budgeting purposes, and therefore included under total revenue, while they are classified as adjustments to expenditure for the purpose of the financial statements.

### 69. Events after the reporting date

On 2 July 2015 the Municipal Demarcation Board issued circular 8/2015 which re-determined certain municipal boundaries. As a result of this re-determination, the boundaries of Mangaung Metropolitan Municipality will extend to include Naledi Local Municipality and Soutpan from Masilonyana Local Municipality. These changes are effective as of 3 August 2016.

On 8 July 2016 the Council resolved that 11 170 indigents be included in the indigent register. These indigents had outstanding balances amounting to R50,748,313 at the date of inclusion. Council approved the write off of these balances.

At the same meeting, Council approved the write off 4 673 accounts owed by disabled / pensioned indigents, with outstanding balances amounting to R23,714,052; and 77 housing rental accounts with outstanding balances amounting to R14,545.

### 70. Non-compliance with the MFMA

During the current financial year the following non-compliance matters were identified:

# Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

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### 70. Non-compliance with the MFMA (continued)

#### *Supply chain management regulations 12(1)(c), 17(1)(a) - (c)*

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his delegate.

#### *Supply chain management regulations 36(1)*

Goods and services with a transactions value above R200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or her delegate in accordance with the supply chain management policy.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

**Mangaung Metropolitan Municipality**  
**Appendix A to the Annual Financial Statements - Unaudited**

**Schedule of external loans as at 30 June 2016**

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	
		Rand	Rand	Rand	Rand	
Development Bank of South Africa @ 12.62%	103433/01	31 March 2026	42,555,911	-	2,045,613	40,510,298
Development Bank of South Africa @ 6.75%	103433/02	31 March 2026	138,000,746	-	3,703,782	134,296,964
Development Bank of South Africa @ 10.642%	12007885	30 June 2025	127,000,000	-	(9,292,275)	136,292,275
Standard bank of South Africa Limited	33714314	30 June 2025	283,235,810	173,000,000	(6,722,575)	462,958,385
			<b>590,792,467</b>	<b>173,000,000</b>	<b>(10,265,455)</b>	<b>774,057,922</b>

**Mangaung Metropolitan Municipality**  
**Appendix B to the Annual Financial Statements - Audited**

**Analysis of property, plant and equipment as at 30 June 2016**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	WIP Additions	Disposals	WIP Transferred to Additions	Transfers	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals/Transfers	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land and buildings</b>															
Land	1,427,016,234	35,001,000	-	(614,470)	-	(7,761,787)	-	1,453,640,977	-	-	-	-	-	-	1,453,640,977
Buildings	1,205,299,711	4,413,807	3,020,535	(738,530)	-	-	-	1,211,995,523	(71,737,487)	237,574	-	(47,874,655)	-	(119,374,568)	1,092,911,007
Work in progress	18,964,558	31,594,228	18,249,533	-	(7,434,342)	-	-	61,373,977	-	-	-	-	-	-	61,373,977
	<b>2,651,280,503</b>	<b>71,009,035</b>	<b>21,270,068</b>	<b>(1,353,000)</b>	<b>(7,434,342)</b>	<b>(7,761,787)</b>	<b>-</b>	<b>2,727,010,477</b>	<b>(71,737,487)</b>	<b>237,574</b>	<b>-</b>	<b>(47,874,655)</b>	<b>-</b>	<b>(119,374,568)</b>	<b>2,606,631,007</b>
<b>Infrastructure</b>															
Roads	2,709,549,614	-	68,177,592	-	-	-	-	2,777,727,206	(963,647,420)	-	-	(182,143,548)	-	(1,145,790,968)	1,631,086,728
Street lighting	10,474,432	-	-	(10,474,432)	-	-	-	-	(6,830,986)	6,830,986	-	-	-	-	-
Bridges	110,317,619	-	-	-	-	-	-	110,317,619	(14,052,735)	-	-	(2,002,676)	-	(16,055,411)	94,264,903
Intersections	6,241,985	-	-	-	-	-	-	6,241,985	(4,319,200)	-	-	(497,661)	-	(4,816,861)	1,425,124
Road furniture	8,414,581	-	-	-	-	-	-	8,414,581	(6,532,398)	-	-	(72,457)	-	(6,604,855)	1,809,726
Sanitation	1,510,573,473	-	364,353,185	-	-	-	-	1,874,926,658	(357,967,608)	-	-	(62,867,234)	-	(420,834,842)	1,454,059,056
Side walks	173,172,011	-	33,720,280	-	-	-	-	206,892,291	(87,384,873)	-	-	(18,114,368)	-	(105,499,241)	101,398,048
Water	1,995,258,703	-	169,093,827	(5,201,238)	-	-	-	2,159,151,292	(471,933,627)	942,676	-	(108,797,956)	-	(579,788,907)	1,579,365,385
Rail road sidings	23,337,859	-	-	-	-	-	-	23,337,859	(11,992,532)	-	-	(2,108,146)	-	(14,100,678)	9,237,181
Stormwater	116,088,770	-	294,987	-	-	-	-	116,383,757	(13,961,706)	-	-	(4,761,987)	-	(18,723,693)	97,660,071
Water meters	219,547,037	-	27,593,462	(34,186,107)	-	-	-	212,954,392	(68,740,782)	19,959,197	-	(29,938,246)	-	(78,719,831)	134,194,561
Work in Progress	976,445,811	1,067,942,317	-	-	-	(699,014,001)	-	1,345,374,127	-	-	-	(81,416)	-	(81,416)	1,345,374,127
	<b>7,859,421,895</b>	<b>1,067,942,317</b>	<b>663,233,333</b>	<b>(49,861,777)</b>	<b>-</b>	<b>(699,014,001)</b>	<b>-</b>	<b>8,841,721,767</b>	<b>(2,007,363,867)</b>	<b>27,732,859</b>	<b>-</b>	<b>(411,385,695)</b>	<b>-</b>	<b>(2,391,016,703)</b>	<b>6,450,003,061</b>
<b>Community Assets</b>															
Parks	134,693,730	-	66,969,627	-	-	-	-	201,663,357	(52,599,128)	-	-	(14,624,237)	-	(67,223,365)	139,040,592
Fresh produce market	55,771,013	-	-	-	-	-	-	55,771,013	(32,558,019)	-	-	(7,471,858)	-	(40,029,877)	15,241,136
Swimming pools	51,958,084	-	14,563,882	-	-	-	-	66,521,966	(15,597,657)	-	-	(3,162,192)	-	(18,759,849)	47,762,117
Cemeteries	51,710,643	-	3,015,058	(194,625)	-	-	-	54,531,076	(20,048,775)	86,618	-	(2,701,595)	-	(22,663,752)	31,825,427
Landfill sites	153,880,201	7,018,121	-	-	-	3,206,169	-	164,104,491	(107,671,084)	-	-	(3,221,488)	-	(110,892,572)	53,212,917
Quarry sites	350,859,878	27,956,267	-	(9,230,768)	-	-	-	369,585,377	(237,391,818)	-	-	(12,775,067)	-	(250,166,885)	119,193,562
Sports ground	355,563,404	-	773,357	-	-	-	-	356,336,761	(108,311,189)	-	-	(13,085,198)	-	(121,396,387)	235,025,374
Sports stadiums	138,915,054	-	7,252,299	-	-	-	-	146,167,353	(56,020,160)	-	-	(12,312,486)	-	(68,332,646)	77,834,667
Law enforcement cameras	56,615,875	-	-	-	-	-	-	56,615,875	(35,197,546)	-	-	(4,716,682)	-	(39,914,228)	16,418,647
Zoo	47,240,586	-	20,596,025	-	-	-	-	67,836,611	(16,743,248)	-	-	(3,923,985)	-	(20,667,233)	47,093,373
Zoo animals	6,457,415	673,985	-	(1,224,735)	-	-	(753,340)	5,153,325	(793)	30,359	259,149	(289,348)	-	(633)	5,123,728
Hawker stalls	8,577,889	-	-	-	-	-	-	8,577,889	(6,330,711)	-	-	(373,312)	-	(6,704,023)	1,873,866
Environmental facilities	1,926,911	-	-	-	-	-	-	1,926,911	(883,103)	-	-	(160,924)	-	(1,044,027)	882,808
Law enforcement dogs	56,000	-	-	(15,000)	-	-	-	41,000	(38,380)	8,759	-	(4,714)	-	(34,335)	6,665
Work in progress	147,283,348	87,820,829	-	-	(113,170,248)	-	-	121,933,929	-	-	-	-	-	-	121,933,929
	<b>1,561,510,031</b>	<b>123,469,202</b>	<b>113,170,248</b>	<b>(10,665,128)</b>	<b>(113,170,248)</b>	<b>3,206,169</b>	<b>(753,340)</b>	<b>1,676,766,934</b>	<b>(689,391,611)</b>	<b>125,736</b>	<b>259,149</b>	<b>(78,823,086)</b>	<b>-</b>	<b>(767,829,812)</b>	<b>908,675,127</b>

**Mangaung Metropolitan Municipality**  
**Appendix B to the Annual Financial**  
**Statements - Audited**

**Analysis of property, plant and equipment as at 30 June 2016**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	WIP Additions	Disposals	WIP Transferred to Additions	Transfers	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals/Transfers	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Other PPE</b>															
Fire arms	927,145	430,978	-	-	-	-	-	<b>1,358,123</b>	(271,528)	-	-	(111,037)	-	<b>(382,565)</b>	
Motor vehicles	167,197,339	-	-	-	-	(235,112)	-	<b>166,962,227</b>	(55,217,027)	136,030	-	(5,118,521)	(108,867)	<b>(60,308,385)</b>	106,644,840
Tools, plant and equipment	15,314,521	14,466,950	-	(10,568)	-	105,769	-	<b>29,876,672</b>	(5,609,987)	2,922	-	(2,836,173)	-	<b>(8,443,238)</b>	21,425,354
Furniture and office equipment	54,535,256	4,879,547	-	(2,294,539)	-	-	-	<b>57,120,264</b>	(13,085,489)	1,396,162	-	(9,284,976)	-	<b>(20,974,303)</b>	36,140,881
Capitalised leased equipment	19,540,218	11,524,939	-	(19,540,218)	-	-	-	<b>11,524,939</b>	(19,540,218)	19,540,218	-	(573,098)	-	<b>(573,098)</b>	10,451,839
Capitalised leased vehicles	158,439,006	20,270,935	-	(977,840)	-	-	-	<b>177,732,101</b>	(11,488,387)	81,349	-	(9,307,447)	(565,138)	<b>(21,279,623)</b>	156,452,470
	<b>415,953,485</b>	<b>51,573,349</b>	-	<b>(22,823,165)</b>	-	<b>(129,343)</b>	-	<b>444,574,326</b>	<b>(105,212,636)</b>	<b>21,156,681</b>	-	<b>(27,231,252)</b>	<b>(674,005)</b>	<b>(111,961,212)</b>	<b>332,613,114</b>

**Mangaung Metropolitan Municipality**  
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**Analysis of property, plant and equipment as at 30 June 2016**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	WIP Additions	Disposals	WIP Transferred to Additions	Transfers	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals/Transfers	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Total property plant and equipment</b>															
Land and buildings	2 651 280,503	71 009,035	21 270,068	(1 353,000)	<b>(7 434,342)</b>	(7 761,787)	-	<b>2 727 010,477</b>	(71 737,487)	237,574	-	(47 874,655)	-	<b>(119 374,568)</b>	2 607 938,927
Infrastructure	7 859 421,895	1 067 942,317	663 233,333	(49 861,777)	-	(699 014,001)	-	<b>8 841 721,767</b>	(2 007 363,867)	27 732,859	-	(411 385,695)	-	<b>(2 391 016,703)</b>	6 450 005,061
Community Assets	1 561 510,031	123 469,202	113 170,248	(10 665,128)	<b>(113 170,248)</b>	3 206,169	(753,340)	<b>1 676 766,934</b>	(689 391,611)	125,736	259,149	(78 823,086)	-	<b>(767 829,812)</b>	908 375,123
Other PPE	415 953,485	51 573,349	-	(22 823,165)	-	(129,343)	-	<b>444 574,326</b>	(105 212,636)	21 156,681	-	(27 231,252)	(674,005)	<b>(111 961,212)</b>	332 663,114
	<b>12 488 165,914</b>	<b>1 313 993,903</b>	<b>797 673,649</b>	<b>(84 703,070)</b>	<b>(120 604,590)</b>	<b>(703 698,962)</b>	<b>(753,340)</b>	<b>13 690 073,504</b>	<b>(2 873 705,601)</b>	<b>49 252,850</b>	<b>259,149</b>	<b>(565 314,688)</b>	<b>(674,005)</b>	<b>(3 390 182,295)</b>	<b>10 295 661,523</b>
<b>Heritage assets</b>															
Buildings	317 080,000	-	-	-	-	-	-	<b>317 080,000</b>	-	-	-	-	-	-	317 080,000
Nature reserve	4 488,687	-	-	-	-	-	-	<b>4 488,687</b>	-	-	-	-	-	-	4 488,687
	<b>321 568,687</b>	-	-	-	-	-	-	<b>321 568,687</b>	-	-	-	-	-	-	<b>321 568,687</b>
<b>Intangible assets</b>															
Computers - software & programming	12 992,790	-	-	-	-	-	-	<b>12 992,790</b>	(3 403,676)	-	-	(979,269)	-	<b>(4 382,945)</b>	8 610,115
Servitudes	305,707	-	-	-	-	-	-	<b>305,707</b>	-	-	-	-	-	-	305,707
	<b>13 298,497</b>	-	-	-	-	-	-	<b>13 298,497</b>	<b>(3 403,676)</b>	-	-	<b>(979,269)</b>	-	<b>(4 382,945)</b>	<b>8 610,115</b>
<b>Investment properties</b>															
Investment property	1 636 496,363	-	-	(176,000)	-	-	(138 813,363)	<b>1 497 507,000</b>	-	-	-	-	-	-	1 497 507,000
	<b>1 636 496,363</b>	-	-	<b>(176,000)</b>	-	-	<b>(138 813,363)</b>	<b>1 497 507,000</b>	-	-	-	-	-	-	<b>1 497 507,000</b>
<b>Total</b>															
Land and buildings	2 651 280,503	71 009,035	21 270,068	(1 353,000)	<b>(7 434,342)</b>	(7 761,787)	-	<b>2 727 010,477</b>	(71 737,487)	237,574	-	(47 874,655)	-	<b>(119 374,568)</b>	2 607 938,927
Infrastructure	7 859 421,895	1 067 942,317	663 233,333	(49 861,777)	-	(699 014,001)	-	<b>8 841 721,767</b>	(2 007 363,867)	27 732,859	-	(411 385,695)	-	<b>(2 391 016,703)</b>	6 450 005,061
Community Assets	1 561 510,031	123 469,202	113 170,248	(10 665,128)	<b>(113 170,248)</b>	3 206,169	(753,340)	<b>1 676 766,934</b>	(689 391,611)	125,736	259,149	(78 823,086)	-	<b>(767 829,812)</b>	908 375,123
Other PPE	415 953,485	51 573,349	-	(22 823,165)	-	(129,343)	-	<b>444 574,326</b>	(105 212,636)	21 156,681	-	(27 231,252)	(674,005)	<b>(111 961,212)</b>	332 663,114
Heritage assets	321 568,687	-	-	-	-	-	-	<b>321 568,687</b>	-	-	-	-	-	-	321 568,687
Intangible assets	13 298,497	-	-	-	-	-	-	<b>13 298,497</b>	(3 403,676)	-	-	(979,269)	-	<b>(4 382,945)</b>	8 610,115
Investment properties	1 636 496,363	-	-	(176,000)	-	-	(138 813,363)	<b>1 497 507,000</b>	-	-	-	-	-	-	1 497 507,000
	<b>14 459 529,461</b>	<b>1 313 993,903</b>	<b>797 673,649</b>	<b>(84 879,070)</b>	<b>(120 604,590)</b>	<b>(703 698,962)</b>	<b>(139 566,703)</b>	<b>15 522 447,688</b>	<b>(2 877 109,277)</b>	<b>49 252,850</b>	<b>259,149</b>	<b>(566 293,957)</b>	<b>(674,005)</b>	<b>(3 394 565,240)</b>	<b>12 127 142,823</b>

**Mangaung Metropolitan Municipality**  
**Appendix B to the Annual Financial Statements - Audited**

**Analysis of property, plant and equipment as at 30 June 2015**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	WIP Additions	Disposals	WIP Transferred to Additions	Transfers	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land and buildings</b>															
Land	1,434,678,702	1,577,533	-	-	-	(9,240,000)	-	1,427,016,235	-	-	-	-	-	-	1,427,016,235
Buildings	1,105,825,129	99,474,582	-	-	-	-	-	1,205,299,711	(38,971,248)	-	-	(32,766,239)	-	(71,737,487)	1,133,562,224
Work in progress	99,000,513	-	19,438,627	-	(99,474,582)	-	-	18,964,558	-	-	-	-	-	-	18,964,558
	<b>2,639,504,344</b>	<b>101,052,115</b>	<b>19,438,627</b>	<b>-</b>	<b>(99,474,582)</b>	<b>(9,240,000)</b>	<b>-</b>	<b>2,651,280,504</b>	<b>(38,971,248)</b>	<b>-</b>	<b>-</b>	<b>(32,766,239)</b>	<b>-</b>	<b>(71,737,487)</b>	<b>2,579,543,017</b>
<b>Infrastructure</b>															
Roads	2,666,317,067	43,232,547	-	-	-	-	-	2,709,549,614	(767,463,125)	-	-	(196,130,701)	(53,595)	(963,647,421)	1,745,902,193
Street lighting	10,474,432	-	-	-	-	-	-	10,474,432	(3,187,559)	-	-	(3,643,427)	-	(6,830,986)	3,643,446
Bridges	110,317,619	-	-	-	-	-	-	110,317,619	(12,008,136)	-	-	(2,044,599)	-	(14,052,735)	96,264,884
Intersections	6,241,985	-	-	-	-	-	-	6,241,985	(2,950,923)	-	-	(1,368,277)	-	(4,319,200)	1,922,785
Road furniture	8,414,581	-	-	-	-	-	-	8,414,581	(5,629,428)	-	-	(902,970)	-	(6,532,398)	1,882,183
Sanitation	1,404,486,364	106,087,109	-	-	-	-	-	1,510,573,473	(287,875,124)	-	-	(68,163,909)	(1,928,576)	(357,967,609)	1,152,605,864
Side walks	173,172,011	-	-	-	-	-	-	173,172,011	(71,299,784)	-	-	(16,085,089)	-	(87,384,873)	85,787,138
Water	1,711,683,342	283,575,360	-	-	-	-	-	1,995,258,702	(364,634,464)	-	-	(107,214,862)	(84,301)	(471,933,627)	1,523,325,075
Rail road sidings	23,337,859	-	-	-	-	-	-	23,337,859	(6,574,473)	-	-	(5,418,059)	-	(11,992,532)	11,345,327
Stormwater	75,981,174	40,030,821	-	-	-	-	-	116,011,995	(9,706,255)	-	-	(4,255,451)	-	(13,961,706)	102,050,289
Water meters	95,090,218	124,456,816	-	-	-	-	-	219,547,034	(56,469,824)	-	-	(12,270,958)	-	(68,740,782)	150,806,252
Work in progress	619,809,050	-	798,553,607	-	(441,916,846)	-	-	976,445,811	-	-	-	-	-	-	976,445,811
	<b>6,905,325,702</b>	<b>597,382,653</b>	<b>798,553,607</b>	<b>-</b>	<b>(441,916,846)</b>	<b>-</b>	<b>-</b>	<b>7,859,345,116</b>	<b>(1,587,799,095)</b>	<b>-</b>	<b>-</b>	<b>(417,498,302)</b>	<b>(2,066,472)</b>	<b>2,007,363,869</b>	<b>5,851,981,247</b>
<b>Community Assets</b>															
Parks	128,679,166	-	-	-	-	-	-	128,679,166	(38,720,820)	-	-	(12,733,300)	-	(51,454,120)	77,225,046
Fresh produce market	54,402,649	1,368,364	-	-	-	-	-	55,771,013	(27,931,146)	-	-	(4,626,873)	-	(32,558,019)	23,212,994
Swimming pools	49,332,792	2,625,292	-	-	-	-	-	51,958,084	(12,202,858)	-	-	(2,509,299)	(383,575)	(15,095,732)	36,862,352
Cemeteries	51,710,643	-	-	-	-	-	-	51,710,643	(17,034,474)	-	-	(3,080,778)	-	(20,115,252)	31,595,391
Landfill sites	119,033,324	-	-	-	-	-	10,003,360	129,036,684	(87,369,992)	-	-	(5,863,354)	-	(93,233,346)	35,803,338
Quarry sites	345,699,006	-	-	-	-	-	(26,657,191)	319,041,815	(228,774,602)	-	-	(10,582,431)	-	(239,357,033)	79,684,782
Sports grounds	355,163,379	400,025	-	-	-	-	-	355,563,404	(92,989,979)	-	-	(15,257,550)	(50,900)	(108,298,429)	247,264,975
Sport stadiums	126,328,376	12,400,094	-	-	-	-	-	138,728,470	(44,836,828)	-	-	(11,141,119)	-	(55,977,947)	82,750,523
Law enforcement cameras	52,566,237	4,049,638	-	-	-	-	-	56,615,875	(24,836,974)	-	-	(10,141,934)	-	(34,978,908)	21,636,967
Zoo	47,240,586	-	-	-	-	-	-	47,240,586	(13,225,758)	-	-	(3,517,490)	-	(16,743,248)	30,497,338
Zoo animals	5,637,629	1,224,880	-	(860,499)	-	-	453,908	6,455,918	(726)	20,305	231,636	(252,008)	-	(793)	6,455,125
Hawker stalls	8,577,889	-	-	-	-	-	-	8,577,889	(5,450,831)	-	-	(796,291)	(83,589)	(6,330,711)	2,247,178
Environmental facilities	1,926,911	-	-	-	-	-	-	1,926,911	(722,517)	-	-	(378,225)	-	(1,100,742)	826,169
Law enforcement dogs	61,500	-	-	(5,500)	-	-	-	56,000	(34,096)	4,116	-	(8,400)	-	(38,380)	17,620
Work in progress	70,414,009	-	102,137,740	-	(20,843,413)	-	-	151,708,336	-	-	-	-	-	-	151,708,336
	<b>1,416,774,096</b>	<b>22,068,293</b>	<b>102,137,740</b>	<b>(865,999)</b>	<b>(20,843,413)</b>	<b>-</b>	<b>(16,199,923)</b>	<b>1,503,070,794</b>	<b>(594,131,601)</b>	<b>24,421</b>	<b>231,636</b>	<b>(80,889,052)</b>	<b>(518,064)</b>	<b>(675,282,660)</b>	<b>827,788,134</b>

**Mangaung Metropolitan Municipality**  
**Appendix B to the Annual Financial**  
**Statements - Audited**

**Analysis of property, plant and equipment as at 30 June 2015**

<b>Cost/Revaluation</b>	<b>Accumulated depreciation</b>
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	Opening Balance	Additions	WIP Additions	Disposals	WIP Transferred to Additions	Transfers	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Other PPE</b>															
Fire arms	790,258	136,887	-	-	-	-	-	927,145	(215,706)	-	-	(55,822)	-	(271,528)	655,617
Motor vehicles	166,082,865	1,114,474	-	-	-	-	167,197,339	(47,717,927)	-	-	-	(5,168,824)	(2,330,276)	(55,217,027)	111,980,312
Tools, plant and equipment	13,757,028	1,572,187	-	(14,694)	-	-	15,314,521	(3,458,024)	4,981	-	-	(2,156,944)	-	(5,609,987)	9,704,534
Furniture and office equipment	44,830,023	9,807,344	-	(102,111)	-	-	54,535,256	(5,855,451)	52,076	-	-	(7,282,115)	-	(13,085,490)	41,449,766
Capitalised leased equipment	19,540,218	-	-	-	-	-	19,540,218	(17,914,104)	-	-	-	(1,626,114)	-	(19,540,218)	-
Capitalised leased vehicles	137,531,079	20,907,927	-	-	-	-	158,439,006	(2,306,682)	-	-	-	(8,107,142)	(1,074,562)	(11,488,386)	146,950,620
	<b>382,531,471</b>	<b>33,538,819</b>	-	<b>(116,805)</b>	-	-	<b>415,953,485</b>	<b>(77,467,894)</b>	<b>57,057</b>	-	-	<b>(24,396,961)</b>	<b>(3,404,838)</b>	<b>(105,212,636)</b>	<b>310,740,849</b>



**Mangaung Metropolitan Municipality**  
**Appendix B to the Annual Financial**  
**Statements - Audited**

**Analysis of property, plant and equipment as at 30 June 2015**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance	Additions	WIP Additions	Disposals	WIP Transferred to Additions	Transfers	Revaluations / Fair value adjustments	Closing Balance	Opening Balance	Disposals	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Total property plant and equipment</b>															
Land and buildings	2,639,504,344	101,052,115	19,438,627	-	(99,474,582)	(9,240,000)	-	2,651,280,504	(38,971,248)	-	-	(32,766,239)	-	(71,737,487)	2,579,543,017
Infrastructure	6,905,325,702	597,382,653	798,553,607	-	(441,916,846)	-	-	7,859,345,116	1,587,799,095	-	-	(417,498,302)	(2,066,472)	2,007,363,869	5,851,981,247
Community Assets	1,416,774,096	22,068,293	102,137,740	(865,999)	(20,843,413)	-	(16,199,923)	1,503,070,794	(594,131,601)	24,421	231,636	(80,889,052)	(518,064)	(675,282,660)	827,788,134
Other PPE	382,531,471	33,538,819	-	(116,805)	-	-	-	415,953,485	(77,467,894)	57,057	-	(24,396,961)	(3,404,838)	(105,212,636)	310,740,849
	<b>1,344,135,613</b>	<b>754,041,880</b>	<b>920,129,974</b>	<b>(982,804)</b>	<b>(562,234,841)</b>	<b>(9,240,000)</b>	<b>(16,199,923)</b>	<b>2,429,649,899</b>	<b>2,298,369,838)</b>	<b>81,478</b>	<b>231,636</b>	<b>(555,550,554)</b>	<b>(5,989,374)</b>	<b>2,859,596,652)</b>	<b>9,570,053,247</b>
<b>Heritage assets</b>															
Buildings	317,080,000	-	-	-	-	-	-	317,080,000	-	-	-	-	-	-	317,080,000
Nature reserve	4,482,105	-	-	-	-	-	-	4,482,105	-	-	-	-	-	-	4,482,105
	<b>321,562,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>321,562,105</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>321,562,105</b>
<b>Intangible assets</b>															
Computers - software & programming	10,456,358	2,536,432	-	-	-	-	-	12,992,790	(2,830,364)	-	-	(573,312)	-	(3,403,676)	9,589,114
Servitudes	305,707	-	-	-	-	-	-	305,707	-	-	-	-	-	-	305,707
Work in progress	562,999	-	-	(562,999)	-	-	-	-	-	-	-	-	-	-	-
	<b>11,325,064</b>	<b>2,536,432</b>	<b>-</b>	<b>(562,999)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,298,497</b>	<b>(2,830,364)</b>	<b>-</b>	<b>-</b>	<b>(573,312)</b>	<b>-</b>	<b>(3,403,676)</b>	<b>9,894,821</b>
<b>Investment properties</b>															
Investment property	1,643,033,363	-	-	-	-	(6,537,000)	-	1,636,496,363	-	-	-	-	-	-	1,636,496,363
Work in progress	2,613,363	-	-	-	-	-	-	2,613,363	-	-	-	-	-	-	2,613,363
	<b>1,645,646,726</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,537,000)</b>	<b>-</b>	<b>1,639,109,726</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,639,109,726</b>
<b>Total</b>															
Land and buildings	2,639,504,344	101,052,115	19,438,627	-	(99,474,582)	(9,240,000)	-	2,651,280,504	(38,971,248)	-	-	(32,766,239)	-	(71,737,487)	2,579,543,017
Infrastructure	6,905,325,702	597,382,653	798,553,607	-	(441,916,846)	-	-	7,859,345,116	1,587,799,095	-	-	(417,498,302)	(2,066,472)	2,007,363,869	5,851,981,247
Community Assets	1,416,774,096	22,068,293	102,137,740	(865,999)	(20,843,413)	-	(16,199,923)	1,503,070,794	(594,131,601)	24,421	231,636	(80,889,052)	(518,064)	(675,282,660)	827,788,134
Other PPE	382,531,471	33,538,819	-	(116,805)	-	-	-	415,953,485	(77,467,894)	57,057	-	(24,396,961)	(3,404,838)	(105,212,636)	310,740,849
Heritage assets	321,562,105	-	-	-	-	-	-	321,562,105	-	-	-	-	-	-	321,562,105
Intangible assets	11,325,064	2,536,432	-	(562,999)	-	-	-	13,298,497	(2,830,364)	-	-	(573,312)	-	(3,403,676)	9,894,821
Investment properties	1,645,646,726	-	-	-	-	(6,537,000)	-	1,639,109,726	-	-	-	-	-	-	1,639,109,726
	<b>3,322,669,508</b>	<b>756,578,312</b>	<b>920,129,974</b>	<b>(1,545,803)</b>	<b>(562,234,841)</b>	<b>(15,777,000)</b>	<b>(16,199,923)</b>	<b>4,403,620,227</b>	<b>2,301,200,202)</b>	<b>81,478</b>	<b>231,636</b>	<b>(556,123,866)</b>	<b>(5,989,374)</b>	<b>2,863,000,328)</b>	<b>1,540,619,899</b>





**Mangaung Metropolitan Municipality**  
**Appendix E(1) to the Annual Financial Statements - Audited**

**Actual versus Budget(Revenue and  
Expenditure) for the year ended 30 June  
2016**

	<b>Act. Bal. Rand</b>	<b>Adjusted budget Rand</b>	<b>Variance Rand</b>	<b>Var</b>
<b>Revenue</b>				
Property rates	837,749,032	745,311,119	92,437,913	12.4
Service charges	931,035,780	950,262,336	(19,226,556)	(2.0)
Rental of facilities and equipment	32,916,698	33,298,212	(381,514)	(1.1)
Interest received (trading)	167,617,589	145,398,539	22,219,050	15.3
Agency services	-	1,711,932	(1,711,932)	(100.0)
Licences and permits	656,529	1,010,132	(353,603)	(35.0)
Other income	472,380,210	1,136,947,986	(664,567,776)	(58.5)
Transfers received - Capital	793,435,468	860,865,581	(67,430,113)	(7.8)
Transfers received - Operational	655,808,218	633,047,291	22,760,927	3.6
Interest received - investment	23,190,180	47,796,145	(24,605,965)	(51.5)
Public Contributions and donations	12,902,770	-	12,902,770	-
	<b>3,927,692,474</b>	<b>4,555,649,273</b>	<b>(627,956,799)</b>	<b>(13.8)</b>
<b>Expenses</b>				
Personnel	(1,280,974,331)	(1,312,511,361)	31,537,030	(2.4)
Remuneration of councillors	(52,421,659)	(52,671,527)	249,868	(0.5)
Depreciation	(568,085,196)	(410,776,713)	(157,308,483)	38.3
Finance costs	(68,569,400)	(131,939,471)	63,370,071	(48.0)
Bad debts written off	(465,223,524)	(224,626,112)	(240,597,412)	107.1
Repairs and maintenance - General	(415,638,426)	(353,705,039)	(61,933,387)	17.5
Bulk purchases	(419,812,317)	(446,572,676)	26,760,359	(6.0)
Contracted Services	(292,315,849)	(298,938,472)	6,622,623	(2.2)
Transfers and Subsidies	(43,632,021)	(71,042,362)	27,410,341	(38.6)
General Expenses	(518,160,162)	(503,246,843)	(14,913,319)	3.0
	<b>(4,124,832,885)</b>	<b>(3,806,030,576)</b>	<b>(318,802,309)</b>	<b>8.4</b>
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(27,812,263)	-	(27,812,263)	-
	<b>(27,812,263)</b>	<b>-</b>	<b>(27,812,263)</b>	<b>-</b>
Net surplus/ (deficit) for the year	<b>(224,952,674)</b>	<b>749,618,697</b>	<b>(974,571,371)</b>	<b>(130.0)</b>

**Mangaung Metropolitan Municipality**  
**Appendix E(2) to the Annual Financial Statements - Audited**

**Budget Analysis of Capital Expenditure as at 30 June**  
**2016**

	<b>Additions Rand</b>	<b>Revised Budget Rand</b>	<b>Variance Rand</b>	<b>Variance %</b>
City Manager	-	-	-	-
Executive Mayor	-	-	-	-
Corporate Services	31,988,705	40,798,768	8,810,063	<b>22</b>
Finance	4,281,952	5,604,699	1,322,747	<b>24</b>
Social Services	48,800,060	73,582,714	24,782,654	<b>34</b>
Planning	66,890,975	146,855,360	79,964,385	<b>54</b>
Human Settlement and Housing	84,420,513	60,200,000	(24,220,513)	<b>(40)</b>
Economic and Rural Development	10,218,157	15,389,182	5,171,025	<b>34</b>
Engineering Services	794,164,233	825,746,560	31,582,327	<b>4</b>
Water Services	266,813,910	311,033,478	44,219,568	<b>14</b>
Waste and Fleet Management	78,066,918	105,846,000	27,779,082	<b>26</b>
Miscellaneous Services	-	-	-	-
Regional Operations	-	-	-	-
Strategic Projects and Service Delivery Regulation	21,535,723	20,000,000	(1,535,723)	<b>(8)</b>
	<b>1,412,693,170</b>	<b>1,605,056,761</b>	<b>192,363,591</b>	<b>12</b>



**Mangaung Metropolitan Municipality**  
**Appendix G1 to the Annual Financial Statements - Unaudited**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the year ended 30 June 2016**

	2016					2015						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Standard</b>												
<b>Governance and administration</b>	<b>2,826,737,221</b>	<b>(35,781,558)</b>	<b>2,790,955,663</b>	-		<b>2,790,955,663</b>	<b>2,533,156,314</b>		<b>(257,799,349)</b>	<b>91 %</b>	<b>90 %</b>	<b>2,747,496,010</b>
Executive and council	1,711,932	-	1,711,932	-		1,711,932	-		(1,711,932)	- %	- %	-
Budget and treasury office	2,758,087,426	(35,781,558)	2,722,305,868	-		2,722,305,868	2,508,515,139		(213,790,729)	92 %	91 %	2,730,174,772
Corporate services	66,937,863	-	66,937,863	-		66,937,863	24,641,175		(42,296,688)	37 %	37 %	17,321,238
<b>Community and public safety</b>	<b>390,380,171</b>	<b>(325,626)</b>	<b>390,054,545</b>	-		<b>390,054,545</b>	<b>78,347,486</b>		<b>(311,707,059)</b>	<b>20 %</b>	<b>20 %</b>	<b>100,941,798</b>
Community and social services	5,855,498	-	5,855,498	-		5,855,498	6,594,337		738,839	113 %	113 %	5,912,099
Sport and recreation	2,079,664	-	2,079,664	-		2,079,664	2,206,733		127,069	106 %	106 %	1,884,423
Public safety	73,880,862	(317,626)	73,563,236	-		73,563,236	52,147,762		(21,415,474)	71 %	71 %	79,217,297
Housing	308,541,523	-	308,541,523	-		308,541,523	17,397,101		(291,144,422)	6 %	6 %	13,924,065
Health	22,624	(8,000)	14,624	-		14,624	1,553		(13,071)	11 %	7 %	3,914
<b>Economic and environmental services</b>	<b>9,801,402</b>	<b>(40,883)</b>	<b>9,760,519</b>	-		<b>9,760,519</b>	<b>7,114,060</b>		<b>(2,646,459)</b>	<b>73 %</b>	<b>73 %</b>	<b>7,854,470</b>
Planning and development	7,095,753	-	7,095,753	-		7,095,753	5,515,289		(1,580,464)	78 %	78 %	6,616,747
Road transport	2,472,199	(34,043)	2,438,156	-		2,438,156	1,036,755		(1,401,401)	43 %	42 %	1,102,107
Environmental protection	233,450	(6,840)	226,610	-		226,610	562,016		335,406	248 %	241 %	135,616
<b>Trading services</b>	<b>1,597,132,990</b>	<b>(254,320,100)</b>	<b>1,342,812,890</b>	-		<b>1,342,812,890</b>	<b>1,327,732,796</b>		<b>(15,080,094)</b>	<b>99 %</b>	<b>83 %</b>	<b>1,161,439,413</b>
Electricity	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-
Water	975,462,824	(212,509,252)	762,953,572	-		762,953,572	724,220,325		(38,733,247)	95 %	74 %	726,713,601
Waste water management	355,690,253	(38,158,606)	317,531,647	-		317,531,647	346,064,495		28,532,848	109 %	97 %	302,275,476
Waste management	265,979,913	(3,652,242)	262,327,671	-		262,327,671	257,447,976		(4,879,695)	98 %	97 %	132,450,336
Other	<b>22,065,296</b>	-	<b>22,065,296</b>	-		<b>22,065,296</b>	<b>23,340,782</b>		<b>1,275,486</b>	<b>106 %</b>	<b>106 %</b>	-
Other	22,065,296	-	22,065,296	-		22,065,296	23,340,782		1,275,486	106 %	106 %	21,273,175
<b>Total Revenue - Standard</b>	<b>4,846,117,080</b>	<b>(290,468,167)</b>	<b>4,555,648,913</b>	-		<b>4,555,648,913</b>	<b>3,969,691,438</b>		<b>(585,957,475)</b>	<b>87 %</b>	<b>82 %</b>	<b>4,039,004,866</b>

**Mangaung Metropolitan Municipality**  
**Appendix G1 to the Annual Financial Statements - Unaudited**  
**Budgeted Financial Performance (revenue and expenditure by standard classification)**  
**for the year ended 30 June 2016**

	2016					2015						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure - Standard</b>												
<b>Governance and administration</b>	<b>1,407,998,828</b>	<b>(100,616,648)</b>	<b>1,307,382,180</b>	<b>6,277,403</b>	-	<b>1,313,659,583</b>	<b>1,374,023,857</b>	-	<b>60,364,274</b>	<b>105 %</b>	<b>98 %</b>	<b>1,679,701,930</b>
Executive and council	390,291,419	9,153,338	399,444,757	(17,690,327)	-	381,754,430	396,400,686	-	14,646,256	104 %	102 %	262,826,384
Budget and treasury office	647,811,145	(89,056,179)	558,754,966	15,000,000	-	573,754,966	626,462,600	-	52,707,634	109 %	97 %	1,083,916,919
Corporate services	369,896,264	(20,713,807)	349,182,457	8,967,730	-	358,150,187	351,160,571	-	(6,989,616)	98 %	95 %	332,958,627
<b>Community and public safety</b>	<b>578,698,118</b>	<b>24,206,612</b>	<b>602,904,730</b>	<b>(7,097,140)</b>	-	<b>595,807,590</b>	<b>495,941,444</b>	-	<b>(99,866,146)</b>	<b>83 %</b>	<b>86 %</b>	<b>408,019,447</b>
Community and social services	184,730,333	(10,183,929)	174,546,404	(80,000)	-	174,466,404	132,426,510	-	(42,039,894)	76 %	72 %	122,252,645
Sport and recreation	51,111,592	4,921,130	56,032,722	(6,749,110)	-	49,283,612	31,444,746	-	(17,838,866)	64 %	62 %	23,621,906
Public safety	244,730,327	13,976,767	258,707,094	-	-	258,707,094	213,946,672	-	(44,760,422)	83 %	87 %	187,911,846
Housing	84,296,236	16,818,468	101,114,704	800,000	-	101,914,704	109,363,383	-	7,448,679	107 %	130 %	62,621,572
Health	13,829,630	(1,325,824)	12,503,806	(1,068,030)	-	11,435,776	8,760,133	-	(2,675,643)	77 %	63 %	11,611,478
<b>Economic and environmental services</b>	<b>512,101,998</b>	<b>(5,282,779)</b>	<b>506,819,219</b>	<b>1,315,737</b>	-	<b>508,134,956</b>	<b>849,184,080</b>	-	<b>341,049,124</b>	<b>167 %</b>	<b>166 %</b>	<b>812,756,877</b>
Planning and development	99,522,365	2,156,216	101,678,581	1,315,737	-	102,994,318	87,368,651	-	(15,625,667)	85 %	88 %	79,557,303
Road transport	380,573,999	(5,123,507)	375,450,492	-	-	375,450,492	739,145,704	-	363,695,212	197 %	194 %	715,269,367
Environmental protection	32,005,634	(2,315,488)	29,690,146	-	-	29,690,146	22,669,725	-	(7,020,421)	76 %	71 %	17,930,207
<b>Trading services</b>	<b>1,353,614,182</b>	<b>3,667,748</b>	<b>1,357,281,930</b>	<b>230,000</b>	-	<b>1,357,511,930</b>	<b>1,407,178,957</b>	-	<b>49,667,027</b>	<b>104 %</b>	<b>104 %</b>	<b>1,028,776,189</b>
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Water	858,704,211	2,374,841	861,079,052	-	-	861,079,052	922,212,863	-	61,133,811	107 %	107 %	722,656,754
Waste water management	266,875,183	(3,166,923)	263,708,260	-	-	263,708,260	282,894,266	-	19,186,006	107 %	106 %	305,931,112
Waste management	228,034,788	4,459,830	232,494,618	230,000	-	232,724,618	202,071,828	-	(30,652,790)	87 %	89 %	188,323
<b>Other</b>	<b>33,552,517</b>	<b>(1,910,000)</b>	<b>31,642,517</b>	<b>(726,000)</b>	-	<b>30,916,517</b>	<b>22,527,863</b>	-	<b>(8,388,654)</b>	<b>73 %</b>	<b>67 %</b>	-
Other	33,552,517	(1,910,000)	31,642,517	(726,000)	-	30,916,517	22,527,863	-	(8,388,654)	73 %	67 %	13,345,153
<b>Total Expenditure - Standard</b>	<b>3,885,965,643</b>	<b>(79,935,067)</b>	<b>3,806,030,576</b>	<b>-</b>	<b>-</b>	<b>3,806,030,576</b>	<b>4,148,856,201</b>	<b>-</b>	<b>342,825,625</b>	<b>109 %</b>	<b>107 %</b>	<b>3,942,599,596</b>
<b>Surplus/(Deficit) for the year</b>	<b>960,151,437</b>	<b>(210,533,100)</b>	<b>749,618,337</b>	<b>-</b>		<b>749,618,337</b>	<b>(179,164,763)</b>		<b>(928,783,100)</b>	<b>(24)%</b>	<b>(19)%</b>	<b>96,405,270</b>



**Mangaung Metropolitan Municipality**  
**Appendix G2 to the Annual Financial Statements - Unaudited**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the year ended 30 June 2016**

	2016						2015			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue by Vote</b>										
Vote 1 - City Manager	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Vote 3 - Corporate Services	13,304,124	-	13,304,124	-	13,304,124	6,661,143	(6,642,981)	50 %	50 %	-
Vote 4 - Finance	1,269,360,839	(167,761,698)	1,101,599,141	-	1,101,599,141	1,209,802,401	108,203,260	110 %	95 %	-
Vote 5 - Social Services	81,544,980	(366,149)	81,178,831	-	81,178,831	78,681,591	(2,497,240)	97 %	96 %	-
Vote 6 - Planning	28,189,621	-	28,189,621	-	28,189,621	27,959,415	(230,206)	99 %	99 %	-
Vote 7 - Human Settlement and Housing	364,266,750	-	364,266,750	-	364,266,750	36,753,881	(327,512,869)	10 %	10 %	-
Vote 8 - Economic and Rural Development	556,899	-	556,899	-	556,899	3,672	(553,227)	1 %	1 %	-
Vote 9 - Engineering Services	357,012,611	(38,158,606)	318,854,005	-	318,854,005	355,205,980	36,351,975	111 %	99 %	-
Vote 10 - Water Services	975,462,824	(212,509,252)	762,953,572	-	762,953,572	724,220,325	(38,733,247)	95 %	74 %	-
Vote 11 - Waste and Fleet Management	265,979,913	(3,652,242)	262,327,671	-	262,327,671	236,036,260	(26,291,411)	90 %	89 %	-
Vote 12 - Miscellaneous Services	1,490,438,519	131,980,140	1,622,418,659	-	1,622,418,659	1,388,926,564	(233,492,095)	86 %	93 %	-
Vote 13 - Regional Operations	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Vote 14 - Strategic Projects and Service Delivery Regulation	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Vote 15 - Electricity - Centlec (SOC) Ltd	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Fresh Produce Market (2015)	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	20,654,288
<b>Total Revenue by Vote</b>	<b>4,846,117,080</b>	<b>(290,467,807)</b>	<b>4,555,649,273</b>		<b>4,555,649,273</b>	<b>4,064,251,232</b>	<b>(491,398,041)</b>	<b>89 %</b>	<b>84 %</b>	<b>20,654,288</b>
<b>Expenditure by Vote to be appropriated</b>										
Vote 1 - City Manager	56,089,417	14,074,000	70,163,417	-	70,163,417	128,515,235	58,351,818	183 %	229 %	36,368,875
Vote 2 - Executive Mayor	203,541,677	550,149	204,091,826	-	204,091,826	180,091,455	(24,000,371)	88 %	88 %	162,064,253
Vote 3 - Corporate Services	298,844,096	870,000	299,714,096	-	299,714,096	240,185,215	(59,528,881)	80 %	80 %	209,073,391
Vote 4 - Finance	286,591,375	(4,815,529)	281,775,846	-	281,775,846	237,204,546	(44,571,300)	84 %	83 %	217,164,807
Vote 5 - Social Services	474,628,406	1,900,003	476,528,409	-	476,528,409	379,933,798	(96,594,611)	80 %	80 %	341,370,693
Vote 6 - Planning	135,323,531	555,252	135,878,783	-	135,878,783	123,157,908	(12,720,875)	91 %	91 %	98,362,755
Vote 7 - Human Settlement and Housing	119,186,262	13,298,468	132,484,730	-	132,484,730	136,234,889	3,750,159	103 %	114 %	90,371,404
Vote 8 - Economic and Rural Development	47,671,885	-	47,671,885	-	47,671,885	30,809,318	(16,862,567)	65 %	65 %	-
Vote 9 - Engineering Services	651,923,130	(9,620,514)	642,302,616	-	642,302,616	990,988,203	348,685,587	154 %	152 %	1,127,260,824
Vote 10 - Water Services	858,704,211	2,374,841	861,079,052	-	861,079,052	922,212,863	61,133,811	107 %	107 %	722,656,754
Vote 11 - Waste and Fleet Management	299,023,695	(15,881,087)	283,142,608	-	283,142,608	291,861,479	8,718,871	103 %	98 %	-
Vote 12 - Miscellaneous services	396,497,763	(83,240,650)	313,257,113	-	313,257,113	404,494,801	91,237,688	129 %	102 %	882,859,824
Vote 13 - Regional Operations	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Vote 14 - Strategic Projects and Service Delivery Regulation	52,859,414	5,080,781	57,940,195	-	57,940,195	42,654,851	(15,285,344)	74 %	81 %	42,005,099
Vote 15 - Electricity - Centlec (SOC) Ltd	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Fresh Produce Market (2015)	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	13,040,917
<b>Total Expenditure by Vote</b>	<b>3,880,884,862</b>	<b>(74,854,286)</b>	<b>3,806,030,576</b>		<b>3,806,030,576</b>	<b>4,108,344,561</b>	<b>302,313,985</b>	<b>108 %</b>	<b>106 %</b>	<b>3,942,599,596</b>
<b>Surplus/(Deficit) for the year</b>	<b>965,232,218</b>	<b>(215,613,521)</b>	<b>749,618,697</b>		<b>749,618,697</b>	<b>(44,093,329)</b>	<b>(793,712,026)</b>	<b>(6)%</b>	<b>(5)%</b>	<b>3,921,945,308</b>

**Mangaung Metropolitan Municipality**  
**Appendix G3 to the Annual Financial Statements - Unaudited**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2016**

	2016					2015						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue By Source</b>												
Property rates	913,072,817	(167,761,698)	745,311,119	-		745,311,119	837,749,032		92,437,913	112 %	92 %	767,595,598
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-
Service charges - electricity revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-
Service charges - water revenue	876,184,784	(212,509,252)	663,675,532	-		663,675,532	622,627,224		(41,048,308)	94 %	71 %	659,267,292
Service charges - sanitation revenue	235,259,401	(38,158,606)	197,100,795	-		197,100,795	223,679,342		26,578,547	113 %	95 %	280,218,928
Service charges - refuse revenue	93,138,251	(3,652,242)	89,486,009	-		89,486,009	84,729,214		(4,756,795)	95 %	91 %	77,570,337
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-
Rental of facilities and equipment	33,298,212	-	33,298,212	-		33,298,212	32,916,698		(381,514)	99 %	99 %	28,656,271
Interest earned - external investments	47,796,145	-	47,796,145	-		47,796,145	95,105,675		47,309,530	199 %	199 %	31,646,860
Interest earned - outstanding debtors	145,398,539	-	145,398,539	-		145,398,539	167,617,589		22,219,050	115 %	115 %	172,068,399
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-
Fines	70,360,739	-	70,360,739	-		70,360,739	51,082,513		(19,278,226)	73 %	73 %	77,671,023
Licences and permits	1,010,132	-	1,010,132	-		1,010,132	656,529		(353,603)	65 %	65 %	170,678
Agency services	1,745,975	(34,043)	1,711,932	-		1,711,932	-		(1,711,932)	- %	- %	108,370,538
Transfers recognised - operational	615,255,000	17,792,291	633,047,291	-		633,047,291	655,808,218		22,760,927	104 %	107 %	619,281,852
Other revenue	1,059,593,372	6,994,162	1,066,587,534	-		1,066,587,534	573,337,427		(493,250,107)	54 %	54 %	585,497,890
Gains on disposal of PPE	-	-	-	-		-	592,710		592,710	DIV/0 %	DIV/0 %	1,257,030
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>4,092,113,367</b>	<b>(397,329,388)</b>	<b>3,694,783,979</b>	<b>-</b>		<b>3,694,783,979</b>	<b>3,345,902,171</b>		<b>(348,881,808)</b>	<b>91 %</b>	<b>82 %</b>	<b>3,409,272,696</b>

**Mangaung Metropolitan Municipality**  
**Appendix G3 to the Annual Financial Statements - Unaudited**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2016**

	2016					2015						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure By Type</b>												
Employee related costs	1,433,392,645	(120,427,484)	1,312,965,161	-	-	1,312,965,161	1,285,443,446	-	(27,521,715)	98 %	90 %	1,165,268,010
Remuneration of councillors	52,671,527	-	52,671,527	-	-	52,671,527	52,421,659	-	(249,868)	100 %	100 %	49,594,283
Debt impairment	224,626,112	-	224,626,112	-	-	224,626,112	465,223,524	-	240,597,412	207 %	207 %	600,426,422
Depreciation & asset impairment	410,776,713	-	410,776,713	-	-	410,776,713	568,085,196	-	157,308,483	138 %	138 %	563,041,230
Finance charges	216,180,121	(83,240,650)	132,939,471	(1,000,000)	-	131,939,471	140,484,895	-	8,545,424	106 %	65 %	172,309,584
Bulk purchases	450,572,676	-	450,572,676	(4,000,000)	-	446,572,676	419,812,317	-	(26,760,359)	94 %	93 %	430,764,023
Other materials	267,390,275	78,737,110	346,127,385	7,577,654	-	353,705,039	451,471,981	-	97,766,942	128 %	169 %	-
Contracted services	223,633,903	54,235,290	277,869,193	21,069,279	-	298,938,472	289,966,048	-	(8,972,424)	97 %	130 %	229,726,326
Transfers and grants	103,610,826	(32,568,464)	71,042,362	-	-	71,042,362	43,632,021	-	(27,410,341)	61 %	42 %	146,210,449
Other expenditure	503,110,845	23,782,931	526,893,776	(23,646,933)	-	503,246,843	501,324,754	-	(1,922,089)	100 %	100 %	706,791,280
Loss on disposal of PPE	-	-	-	-	-	-	9,324,580	-	9,324,580	DIV/0 %	DIV/0 %	-
<b>Total Expenditure</b>	<b>3,885,965,643</b>	<b>(79,481,267)</b>	<b>3,806,484,376</b>	<b>-</b>	<b>-</b>	<b>3,806,484,376</b>	<b>4,227,190,421</b>	<b>-</b>	<b>420,706,045</b>	<b>111 %</b>	<b>109 %</b>	<b>4,064,131,607</b>
<b>Surplus/(Deficit)</b>	<b>206,147,724</b>	<b>(317,848,121)</b>	<b>(111,700,397)</b>	<b>-</b>	<b>-</b>	<b>(111,700,397)</b>	<b>(881,288,250)</b>	<b>-</b>	<b>(769,587,853)</b>	<b>789 %</b>	<b>(428)%</b>	<b>(654,858,911)</b>
Transfers recognised - capital	754,004,000	106,861,581	860,865,581	-	-	860,865,581	792,338,903	-	(68,526,678)	92 %	105 %	732,367,925
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Contributed assets	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>960,151,724</b>	<b>(210,986,540)</b>	<b>749,165,184</b>	<b>-</b>	<b>-</b>	<b>749,165,184</b>	<b>(88,949,347)</b>	<b>-</b>	<b>(838,114,531)</b>	<b>(12)%</b>	<b>(9)%</b>	<b>77,509,014</b>
<b>Surplus/(Deficit) for the year</b>	<b>960,151,724</b>	<b>(210,986,540)</b>	<b>749,165,184</b>	<b>-</b>	<b>-</b>	<b>749,165,184</b>	<b>(88,949,347)</b>	<b>-</b>	<b>(838,114,531)</b>	<b>(12)%</b>	<b>(9)%</b>	<b>77,509,014</b>

**Mangaung Metropolitan Municipality**  
**Appendix G4 - Unaudited**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2016**

	2016					2015					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand			Rand
<b>Capital expenditure - Vote</b>											
Vote 1 - City Manager	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Vote 2 - Executive Mayor	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Vote 3 - Corporate Services	29,540,313	11,258,455	40,798,768	-	-	40,798,768	31,988,705	(8,810,063)	78 %	108 %	35,370,978
Vote 4 - Finance	5,604,699	-	5,604,699	-	-	5,604,699	4,281,952	(1,322,747)	76 %	76 %	5,957,125
Vote 5 - Social Services	67,600,906	5,981,808	73,582,714	-	-	73,582,714	48,800,060	(24,782,654)	66 %	72 %	57,858,921
Vote 6 - Planning	166,638,788	(19,783,428)	146,855,360	-	-	146,855,360	66,890,975	(79,964,385)	46 %	40 %	64,202,385
Vote 7 - Human Settlement & Housing	60,200,000	-	60,200,000	-	-	60,200,000	84,420,513	24,220,513	140 %	140 %	9,945,645
Vote 8 - Economic & Rural Development	18,853,432	(3,464,250)	15,389,182	-	-	15,389,182	10,218,157	(5,171,025)	66 %	54 %	-
Vote 9 - Engineering Services	737,186,683	88,559,877	825,746,560	-	-	825,746,560	794,164,233	(31,582,327)	96 %	108 %	543,425,866
Vote 10 - Water services	255,062,870	55,970,608	311,033,478	-	-	311,033,478	266,813,910	(44,219,568)	86 %	105 %	310,166,639
Vote 11 - Waste and Fleet Management	107,846,000	(2,000,000)	105,846,000	-	-	105,846,000	78,066,918	(27,779,082)	74 %	72 %	12,351,470
Vote 12 - Miscellaneous Services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Vote 13 - Regional Operations	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Vote 14 - Strategic Projects & Service Delivery Regulation	20,000,000	-	20,000,000	-	-	20,000,000	21,535,723	1,535,723	108 %	108 %	5,000,000
Vote 15 - Electricity - Centlec (SOC) Ltd	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Fresh Produce Market (2015)	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	2,357,458
<b>Capital multi-year expenditure sub-total</b>	<b>1,468,533,691</b>	<b>136,523,070</b>	<b>1,605,056,761</b>	<b>-</b>	<b>-</b>	<b>1,605,056,761</b>	<b>1,407,181,146</b>	<b>(197,875,615)</b>	<b>88 %</b>	<b>96 %</b>	<b>1,046,636,487</b>

**Mangaung Metropolitan Municipality**  
**Appendix G4 - Unaudited**  
**Budgeted Capital Expenditure by vote, standard classification and funding**  
**for the year ended 30 June 2016**

	2016					2015					
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>	<b>145,150,699</b>	<b>1,032,579</b>	<b>146,183,278</b>	<b>(500,000)</b>	-	<b>145,683,278</b>	<b>153,009,386</b>	<b>7,326,108</b>	<b>105 %</b>	<b>105 %</b>	<b>87,618,899</b>
Executive and council	20,000,000	-	20,000,000	-	-	20,000,000	21,535,723	1,535,723	108 %	108 %	5,000,000
Budget and treasury office	5,604,699	-	5,604,699	-	-	5,604,699	6,032,984	428,285	108 %	108 %	5,957,125
Corporate services	119,546,000	1,032,579	120,578,579	(500,000)	-	120,078,579	125,440,679	5,362,100	104 %	105 %	76,661,774
<b>Community and public safety</b>	<b>130,841,219</b>	<b>12,271,206</b>	<b>143,112,425</b>	<b>(200,000)</b>	-	<b>142,912,425</b>	<b>104,725,390</b>	<b>(38,187,035)</b>	<b>73 %</b>	<b>80 %</b>	<b>81,151,423</b>
Community and social services	55,616,706	5,090,120	60,706,826	(1,850,000)	-	58,856,826	38,456,871	(20,399,955)	65 %	69 %	45,129,323
Sport and recreation	13,040,313	225,876	13,266,189	500,000	-	13,766,189	9,319,820	(4,446,369)	68 %	71 %	15,996,402
Public safety	11,984,200	(3,044,790)	8,939,410	1,150,000	-	10,089,410	7,528,186	(2,561,224)	75 %	63 %	9,906,077
Housing	50,200,000	10,000,000	60,200,000	-	-	60,200,000	49,420,513	(10,779,487)	82 %	98 %	9,945,645
Health	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	173,976
<b>Economic and environmental services</b>	<b>465,792,327</b>	<b>24,722,671</b>	<b>490,514,998</b>	<b>1,359,040</b>	-	<b>491,874,038</b>	<b>383,475,280</b>	<b>(108,398,758)</b>	<b>78 %</b>	<b>82 %</b>	<b>248,371,251</b>
Planning and development	184,742,220	(25,247,678)	159,494,542	-	-	159,494,542	72,460,883	(87,033,659)	45 %	39 %	64,202,385
Road transport	281,050,107	45,333,871	326,383,978	659,040	-	327,043,018	308,199,393	(18,843,625)	94 %	110 %	181,345,345
Environmental protection	-	4,636,478	4,636,478	700,000	-	5,336,478	2,815,004	(2,521,474)	53 %	DIV/0 %	2,823,521
<b>Trading services</b>	<b>725,999,446</b>	<b>97,196,614</b>	<b>823,196,060</b>	<b>(659,040)</b>	-	<b>822,537,020</b>	<b>723,695,256</b>	<b>(98,841,764)</b>	<b>88 %</b>	<b>100 %</b>	<b>627,137,456</b>
Electricity	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Water	255,062,870	55,970,608	311,033,478	-	-	311,033,478	228,121,840	(82,911,638)	73 %	89 %	310,166,639
Waste water management	456,136,576	43,226,006	499,362,582	(659,040)	-	498,703,542	485,964,839	(12,738,703)	97 %	107 %	301,978,360
Waste management	14,800,000	(2,000,000)	12,800,000	-	-	12,800,000	9,608,577	(3,191,423)	75 %	65 %	14,992,457
<b>Other</b>	<b>750,000</b>	<b>2,000,000</b>	<b>2,750,000</b>	-	-	<b>2,750,000</b>	<b>125,693</b>	<b>(2,624,307)</b>	<b>5 %</b>	<b>17 %</b>	-
Other	750,000	2,000,000	2,750,000	-	-	2,750,000	125,693	(2,624,307)	5 %	17 %	2,357,458
<b>Total Capital Expenditure - Standard</b>	<b>1,468,533,691</b>	<b>137,223,070</b>	<b>1,605,756,761</b>	-	-	<b>1,605,756,761</b>	<b>1,365,031,005</b>	<b>(240,725,756)</b>	<b>85 %</b>	<b>93 %</b>	<b>1,046,636,487</b>
<b>Funded by:</b>											
National Government	754,004,000	104,263,555	858,267,555	-		858,267,555	788,912,997	(69,354,558)	92 %	105 %	-
Provincial Government	-	2,598,026	2,598,026	-		2,598,026	-	(2,598,026)	- %	DIV/0 %	-
District Municipality	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %	-
Other transfers and grants	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %	-
<b>Transfers recognised - capital</b>	<b>754,004,000</b>	<b>106,861,581</b>	<b>860,865,581</b>	-		<b>860,865,581</b>	<b>788,912,997</b>	<b>(71,952,584)</b>	<b>92 %</b>	<b>105 %</b>	-
Public contributions & donations	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %	-
Borrowing	514,256,000	14,673,228	528,929,228	-		528,929,228	618,268,147	89,338,919	117 %	120 %	-
Internally generated funds	200,273,691	14,988,261	215,261,952	-		215,261,952	-	(215,261,952)	- %	- %	-
<b>Total Capital Funding</b>	<b>1,468,533,691</b>	<b>136,523,070</b>	<b>1,605,056,761</b>	-		<b>1,605,056,761</b>	<b>1,407,181,144</b>	<b>(197,875,617)</b>	<b>88 %</b>	<b>96 %</b>	-

**Mangaung Metropolitan Municipality**  
**Appendix G5 to the Annual Financial Statements - Unaudited**  
**Budgeted Cash Flows**  
**for the year ended 30 June 2016**

	2016					2015				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Cash flow from operating activities</b>										
Ratepayers and other	2,829,195,418	(349,700,021)	2,479,495,397	-	2,479,495,397	1,418,370,319	(1,061,125,078)	57 %	50 %	5,666,738,207
Government - operating	615,255,000	(2,029,000)	613,226,000	-	613,226,000	913,740,809	300,514,809	149 %	149 %	619,281,852
Government - capital	754,004,000	(7,660,000)	746,344,000	-	746,344,000	795,030,367	48,686,367	107 %	105 %	732,367,925
Interest	286,286,493	(146,069,747)	140,216,746	-	140,216,746	181,320,702	41,103,956	129 %	63 %	203,715,259
Suppliers and employees	(2,790,895,910)	52,862,430	(2,738,033,480)	-	(2,738,033,480)	(2,351,238,869)	386,794,611	86 %	84 %	5,046,915,611
Finance charges	(205,371,115)	92,372,565	(112,998,550)	-	(112,998,550)	-	112,998,550	- %	- %	172,309,584
Transfers and Grants	(43,015,663)	38,696,018	(4,319,645)	-	(4,319,645)	-	4,319,645	- %	- %	146,210,449
<b>Net cash flow from/used operating activities</b>	<b>1,445,458,223</b>	<b>(321,527,755)</b>	<b>1,123,930,468</b>	<b>-</b>	<b>1,123,930,468</b>	<b>957,223,328</b>	<b>(166,707,140)</b>	<b>85 %</b>	<b>66 %</b>	<b>12,587,538,887</b>
<b>Cash flow from investing activities</b>										
Proceeds on disposal of PPE	-	(267,500)	(267,500)	-	(267,500)	-	267,500	- %	DIV/0 %	(413,200,735)
Decrease (increase) other non-current receivables	-	-	-	-	-	380,172	380,172	DIV/0 %	DIV/0 %	-
Capital assets	(1,321,680,322)	(42,617,513)	(1,364,297,835)	-	(1,364,297,835)	(1,188,424,785)	175,873,050	87 %	90 %	(515,099,913)
<b>Net cash flow from/used investing activities</b>	<b>(1,321,680,322)</b>	<b>(42,885,013)</b>	<b>(1,364,565,335)</b>	<b>-</b>	<b>(1,364,565,335)</b>	<b>(1,188,044,613)</b>	<b>176,520,722</b>	<b>87 %</b>	<b>90 %</b>	<b>(2,181,668,524)</b>
<b>Cash flow from financing activities</b>										
Borrowing long term/refinancing	173,000,000	-	173,000,000	-	173,000,000	181,872,347	8,872,347	105 %	105 %	409,227,186
Increase (decrease) in consumer deposits	6,000,000	(4,001,070)	1,998,930	-	1,998,930	2,856,316	857,386	143 %	48 %	2,342,916
Repayment of borrowing	(131,135,568)	19,670,335	(111,465,233)	-	(111,465,233)	(116,773,362)	(5,308,129)	105 %	89 %	-
<b>Net cash flow from/used financing activities</b>	<b>47,864,432</b>	<b>15,669,265</b>	<b>63,533,697</b>	<b>-</b>	<b>63,533,697</b>	<b>67,955,301</b>	<b>4,421,604</b>	<b>107 %</b>	<b>142 %</b>	<b>2,017,308,782</b>
<b>Net increase/(decrease) in cash held</b>	<b>171,642,333</b>	<b>(348,743,503)</b>	<b>(177,101,170)</b>	<b>-</b>	<b>(177,101,170)</b>	<b>(162,865,984)</b>	<b>14,235,186</b>	<b>92 %</b>	<b>(95)%</b>	<b>12,423,179,145</b>
Cash/cash equivalents at the year begin:						101,255,737				33,069,220
<b>Cash/cash equivalents at the year end:</b>	<b>171,642,333</b>	<b>(348,743,503)</b>	<b>(177,101,170)</b>	<b>-</b>	<b>(177,101,170)</b>	<b>(61,610,247)</b>	<b>14,235,186</b>	<b>35 %</b>	<b>(36)%</b>	

**Mangaung Metropolitan Municipality**  
**Appendix H to the Annual Financial Statements - Audited**  
**Councillors' Arrear Consumer Accounts (over 90 days)**  
**for the year ended 30 June 2016**

Surname and Initials	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016
Botes F R	-	-	-	-	1	-	-	-	-	-	-	-
Lala T S	-	-	-	39	-	118	105	174	346	457	750	146
Lekgela L E	529	-	-	-	-	-	-	-	-	-	-	-
Mashoane E D	25,885	23,619	21,352	19,086	16,822	16,945	14,681	10,019	10,112	5,589	3,203	817
Masoetsa L A	-	-	-	899	-	-	-	-	-	-	-	-
Matsemelela M V	80	-	-	-	-	-	-	-	-	-	-	-
Matsoetlane M J	629	-	-	-	-	-	-	-	7	350	574	810
Mbangane M B	11,789	12,471	13,133	13,883	14,919	16,504	15,100	14,294	14,177	14,177	14,792	12,109
Minnie H	477	426	602	918	1,172	1,429	1,444	441	444	447	450	453
Mononyane M B	36,195	32,706	29,339	27,651	24,136	24,935	15,880	12,274	12,987	6,893	2,550	-
Mpakathe T S	-	-	-	-	1	-	-	618	1,200	2,092	2,307	2,863
Mpheqeka M S	29,257	26,132	22,997	20,153	20,804	17,663	15,245	12,052	12,052	7,652	3,943	233
Mtshwane K J	-	-	-	-	-	2	-	-	306	-	278	-
Naiile T J	486	489	492	496	499	502	506	509	513	516	520	523
Ndamande SS	712	712	-	-	-	-	-	-	-	-	-	-
Nkoe M J	70,269	62,396	62,883	62,446	63,317	72,137	72,687	73,023	74,498	75,145	76,649	78,277
Petersen J E	23,096	24,525	23,853	23,217	22,695	22,131	21,624	21,229	20,583	18,536	15,997	15,477
Phajane M A	6,704	7,823	9,076	10,348	10,787	11,009	9,006	10,275	11,512	12,802	14,913	16,244
Siyonzana M A	328	656	-	-	-	-	-	-	-	-	-	-
Thipenyane G	-	-	-	-	-	-	-	536	-	-	-	-
Titi L M	-	-	-	-	-	-	-	1,164	1,717	1,173	1,187	1,297
Ward V W	101,570	93,499	3,263	4,382	5,426	6,552	7,820	11,692	12,690	16,245	17,924	19,779
<b>Grand Total</b>	<b><u>308,006</u></b>	<b><u>285,454</u></b>	<b><u>186,990</u></b>	<b><u>183,518</u></b>	<b><u>180,579</u></b>	<b><u>189,927</u></b>	<b><u>174,098</u></b>	<b><u>168,300</u></b>	<b><u>173,144</u></b>	<b><u>162,074</u></b>	<b><u>156,037</u></b>	<b><u>149,028</u></b>

**Mangaung Metropolitan Municipality**  
**Appendix H to the Annual Financial Statements - Audited**  
**Councillors' Arrear Consumer Accounts (over 90 days)**  
**for the year ended 30 June 2015**

Surname and Initials	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015
Bacela G M	1,645	1,459	1,276	1,107	936	764	590	415	236	58	-	-
Lekgela L E	-	-	-	-	-	-	-	-	-	-	74	536
Manyoni T M	-	-	-	-	-	1,067	3,074	5,516	25	-	-	-
Mashoane E D	24,462	24,579	24,695	24,812	24,931	25,050	25,169	25,289	25,408	25,527	25,647	25,766
Matsemelela M V	-	-	-	-	-	-	417	359	469	656	599	340
Matsoetlane M J	-	-	-	-	-	-	-	-	-	1,057	889	744
Mbange M B	4,202	4,790	5,502	6,153	6,861	7,361	7,735	8,325	8,971	9,929	10,537	11,094
Minnie H	435	753	1,358	2,030	2,187	427	443	460	462	577	714	472
Mononyane M B	43,325	44,904	45,760	48,675	48,610	50,070	50,875	51,689	52,507	51,233	52,059	34,935
Mpakathe T S	-	-	-	-	-	-	-	-	-	-	109	115
Mpheqeka M S	28,928	29,444	29,362	30,435	30,404	30,428	30,265	30,322	30,293	30,444	30,412	30,049
Mtshwane K J	-	-	-	-	-	-	-	91	191	-	-	-
Naile T J	-	-	177	508	1,189	1,566	1,746	1,930	2,118	2,300	2,482	-
Ndamane S S	100	-	-	-	-	-	-	-	53	-	775	645
Nkoe M J	66,597	67,067	67,526	67,891	66,941	67,582	67,086	67,746	68,215	68,649	69,249	69,734
Nothnagel J	4,683	3,911	3,161	22	36	789	2,164	4,085	5,991	9,245	132	-
Petersen J E	15,746	16,444	17,099	17,841	18,629	19,455	20,895	21,762	23,664	25,445	20,070	21,449
Phajane M A	-	-	-	-	35	1,102	-	6	19	2,437	4,151	5,379
Sechaoro C S K	1,304	2,179	2,554	2,998	2,403	3,180	4,131	4,189	4,843	-	-	-
Thipenyane G	-	-	-	-	-	503	1,006	513	1,025	-	-	-
Tsomela M M	918	944	1,074	1,032	1,407	174	370	343	982	1,503	-	-
Ward V W	112,255	112,024	109,413	109,153	108,738	107,442	107,692	107,922	101,525	100,732	100,464	101,130
<b>Grand Total</b>	<b><u>304,600</u></b>	<b><u>308,498</u></b>	<b><u>308,957</u></b>	<b><u>312,657</u></b>	<b><u>313,307</u></b>	<b><u>316,960</u></b>	<b><u>323,658</u></b>	<b><u>330,962</u></b>	<b><u>326,997</u></b>	<b><u>329,792</u></b>	<b><u>318,363</u></b>	<b><u>302,388</u></b>