# MSUKALIGWA LOCAL MUNICIPALITY

(Registration number MP302)

**AUDITED ANNUAL FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 30 JUNE 2015**

# General Information

| | |
|---|---|
| **Nature of business and principal activities** | Local Municipality |
| Executive Mayor | Cllr. J.S. Bongwe |
| Speaker | Cllr. B.M. Buthelezi |
| Chief Whip | Cllr. N.G. Mashinini |
| Member of Mayoral Committee - Technical Services and Development and Planning | Cllr. M.P. Nkosi |
| Member of Mayoral Committee - Finance and Corporate services | Cllr. V.C.N. Madini |
| Councillors | Cllr. J.D.A. Blignaut<br>Cllr. J.S. Bongwe<br>Cllr. Z. Breydenbach<br>Cllr. B.M. Buthelezi<br>Cllr. Z.C. Dhludhlu<br>Cllr. K.H. Dladla<br>Cllr. G.S. Greyling<br>Cllr. S.L. Jele<br>Cllr. D.J. Litau<br>Cllr. M.C. Lukhele<br>Cllr. F.J. Mabasa<br>Cllr. D. Mabunda<br>Cllr. B.I. Mabuza<br>Cllr. V.C.N. Madini<br>Cllr. T.T. Malaza<br>Cllr. P.B. Maseko<br>Cllr. P.E. Mashiane<br>Cllr. N.G. Mashinini<br>Cllr. S.C. Mathebula<br>Cllr. M.J. Mhlanga<br>Cllr. L.P. Mnisi<br>Cllr. E.C. Msezane<br>Cllr. S.J. Msibi<br>Cllr. G.T. Msimango<br>Cllr. B.N.N. Ndlovu<br>Cllr. B.R. Ngwenya<br>Cllr. T.C. Ngwenya<br>Cllr. D.S. Nkosi<br>Cllr. M.P. Nkosi<br>Cllr. P.B. Nkosi<br>Cllr. S.J. Nkosi<br>Cllr. Z.J. Nkosi<br>Cllr. B.S. Puwani<br>Cllr. J.H. Sibanyoni<br>Cllr. P.T. Sibeko<br>Cllr. B.I. Sibiya<br>Cllr. H.F. Swart<br>Cllr. S.E. Vilakazi |

# General Information

| | |
|---|---|
| **Grading of local authority** | Local Municipality |
| **Accounting Officer** | Mr. Z.T. Shongwe (Appointed 2 September 2014) |
| **Chief Finance Officer (CFO)** | Vacant at reporting date |
| **Registered office** | Civic Centre<br>C/o Kerk and Taute Street<br>Ermelo<br>2350 |
| **Business address** | Civic Centre<br>C/o Kerk and Taute Street<br>Ermelo<br>2350 |
| **Postal address** | PO Box 48<br>Ermelo<br>2350 |
| **Bankers** | Standard Bank Limited |
| **Auditors** | Auditor-General of South Africa |
| **Attorneys** | Noltes Attorney<br>Gildenhuys Malatji Attorneys<br>TMN Kgomo & Associates<br>Sefalafala Attorneys<br>Mohlala Attorneys |
| **Rounding** | All amounts have been rounded to the nearest R1 |
| **Website** | www.msukaligwa.gov.za |
| **Contact numbers** | Tel: 017 8611 Msuka [086 116 7852]<br>Fax: 017 801 3851 |

# Index

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

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**Abbreviations**

| | |
|---|---|
| COID | Compensation for Occupational Injuries and Diseases |
| CRR | Capital Replacement Reserve |
| DBSA | Development Bank of South Africa |
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| HDF | Housing Development Fund |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| ME's | Municipal Entities |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act (No. 53 of 2003) |
| MIG | Municipal Infrastructure Grant |
| MSIG | Municipal Systems Improvement Grant |
| FMG | Financial Management Grant |
| CMIP | Consolidated Municipal Infrastructure Programme |
| CPI | Consumer Price Index |
| MLCCM | Municipal Landfill Closure Costing Model |
| LSA | Long Service Awards |
| DORA | Division of Revenue Act |
| NDPG | Neighbourhood Development Partnership Grant |
| NDP | Neighbourhood Development Programme |

# Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Companies Act, 71 of 2008, to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited annual financial statements have been prepared in accordance with International Financial Reporting Standards (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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 municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The audited annual financial statements set out on pages 6 to 100, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015:

**Shongwe ZT**
**Accounting Officer**

# Accounting Officer's Report

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

**1. Review of activities**

**Main business and operations**

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

Net deficit of the municipality was R127,695,293 (2014: deficit R109,812,846) and was restated as part of the correction of prior period errors. Please refer to note 40 for detailed adjustments.

**2. Going concern**

The audited 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 pre-approved bank overdraft is R 6,000,000, for liquidity risk and at year end was fully covered. Refer to Risk Managment note 44.

**3. Subsequent events**

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

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

The accounting officer does not have any direct or indirect interest's in contracts.

**5. Accounting policies**

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

**6. Non-current assets**

Refer to Note 3 to 5 for changes to Non-Current Assets.

**7. Accounting Officer**

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

| Name | Changes |
|---|---|
| Shongwe ZT | Appointed 02 September 2014 |

# Accounting Officer's Report

## 8. Corporate governance

### General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

### Executive Mayor and Municipal Manager

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

### Internal audit

The municipality has a fully functional Internal Audit Unit. This is in compliance with the Municipal Finance Management Act, 2003.

## 9. Bankers

Standard Bank Limited is used for daily operations as well as investing of grant funding.

## 10. Auditors

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

## 11. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and

The municipality has no PPP agreements.

# Statement of Financial Position as at 30 June 2015

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Inventories | 7 | 7,934,341 | 3,643,978 |
| Receivables from exchange transactions | 8 | 10,605,214 | 11,844,981 |
| Receivables from non-exchange transactions | 9 | 9,563,822 | - |
| VAT receivable | 10 | 25,264,630 | 13,081,002 |
| Consumer debtors | 11 | 42,687,200 | 34,514,918 |
| Cash and cash equivalents | 12 | 29,958,706 | 489,616 |
| **Total Current Assets** | | **126,013,913** | **63,574,495** |
| **Non-Current Assets** | | | |
| Investment property | 3 | 56,097,589 | 58,478,515 |
| Property, plant and equipment | 4 | 1,769,319,793 | 1,826,207,341 |
| Heritage assets | 5 | 1,069,102 | 1,069,102 |
| **Total Non-Current Assets** | | **1,826,486,484** | **1,885,754,958** |
| **Total Assets** | | **1,952,500,397** | **1,949,329,453** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Finance lease obligation | 13 | 1,219,802 | 2,247,971 |
| Payables from exchange transactions | 16 | 476,754,443 | 334,272,769 |
| Consumer deposits | 17 | 10,688,167 | 9,374,414 |
| Employee benefit obligation | 6 | 2,691,608 | 5,021,000 |
| Unspent conditional grants and receipts | 14 | 1,212,316 | 11,154,049 |
| Provisions | 15 | 558,061 | 548,877 |
| **Total Current Liabilities** | | **493,124,397** | **362,619,080** |
| **Non-Current Liabilities** | | | |
| Finance lease obligation | 13 | 569,236 | 1,789,038 |
| Employee benefit obligation | 6 | 37,744,025 | 36,703,000 |
| Provisions | 15 | 32,797,751 | 32,258,058 |
| **Total Non-Current Liabilities** | | **71,111,012** | **70,750,096** |
| **Total Liabilities** | | **564,235,409** | **433,369,176** |
| **Net Assets** | | **1,388,264,988** | **1,515,960,277** |
| Accumulated surplus | | 1,388,264,988 | 1,515,960,277 |
| | | 1,388,264,988 | 1,515,960,277 |
| **Total Net Assets** | | **1,388,264,988** | **1,515,960,277** |

* See Note 41

# Statement of Financial Performance for the period ended 30 June 2015

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Service charges | 19 | 231,626,914 | 213,409,862 |
| Rental of facilities and equipment | 20 | 2,101,040 | 1,807,412 |
| Agency services | | 10,196,635 | 9,352,790 |
| Other income | 21 | 11,252,791 | 7,415,280 |
| Interest received | 22 | 21,320,790 | 12,511,436 |
| **Total revenue from exchange transactions** | | **276,498,170** | **244,496,780** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 23 | 66,148,543 | 61,842,042 |
| **Transfer revenue** | | | |
| Government grants & subsidies | 24 | 166,595,135 | 168,055,316 |
| Fines | 18 | 5,868,569 | 2,604,870 |
| **Total revenue from non-exchange transactions** | | **238,612,247** | **232,502,228** |
| **Total revenue** | 18 | **515,110,417** | **476,999,008** |
| **Expenditure** | | | |
| Employee related costs | 25 | (148,229,918) | (138,268,251) |
| Remuneration of councillors | 26 | (11,628,372) | (10,727,797) |
| Depreciation | 27 | (80,658,663) | (80,249,513) |
| Impairment loss | 28 | (5,875,651) | (2,619,465) |
| Finance costs | 29 | (17,462,862) | (8,015,518) |
| Lease rentals on operating lease | | (1,988,767) | (3,429,138) |
| Debt Impairment | 30 | (41,111,695) | (32,450,177) |
| Repairs and maintenance | | (30,321,419) | (27,331,617) |
| Bulk purchases | 31 | (216,894,442) | (201,619,576) |
| Contracted services | 32 | (47,844,552) | (30,906,863) |
| General Expenses | 33 | (47,295,172) | (44,874,573) |
| **Total expenditure** | | **(649,311,513)** | **(580,492,488)** |
| **Operating deficit** | 35 | **(134,201,096)** | **(103,493,480)** |
| Gain/(loss) on disposal of assets and liabilities | | 1,286,751 | (616,971) |
| Actuarial gains/(losses) | 6 | 4,866,367 | (1,513,000) |
| Inventories gains/(losses) | | 352,685 | (4,189,395) |
| | | **6,505,803** | **(6,319,366)** |
| **Deficit for the year** | | **(127,695,293)** | **(109,812,846)** |

* See Note 41

# Statement of Changes in Net Assets as at 30 June 2015

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---|---|
| Opening balance as previously reported | 1,204,015,571 | 1,204,015,571 |
| Adjustments | | |
| Prior year adjustments | 421,757,552 | 421,757,552 |
| **Balance at 01 July 2013 as restated*** | **1,625,773,123** | **1,625,773,123** |
| Changes in net assets | | |
| Deficit for the year | (109,812,846) | (109,812,846) |
| Total changes | (109,812,846) | (109,812,846) |
| Opening balance as previously reported | 1,188,423,049 | 1,188,423,049 |
| Adjustments | | |
| Prior year adjustments | 327,537,232 | 327,537,232 |
| **Restated* Balance at 01 July 2014 as restated*** | **1,515,960,281** | **1,515,960,281** |
| Changes in net assets | | |
| Deficit for the year | (127,695,293) | (127,695,293) |
| Total changes | (127,695,293) | (127,695,293) |
| **Balance at 30 June 2015** | **1,388,264,988** | **1,388,264,988** |

* See Note 41

# Cash Flow Statement as at 30 June 2015

| Figures in Rand | Note(s) | 2015 | 2014 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Property rates taxation | | 63,830,597 | 58,091,661 |
| Sale of goods and services | | 232,503,532 | 232,632,106 |
| Grants | | 152,958,149 | 175,969,263 |
| Interest income | | 21,320,790 | 12,511,436 |
| **Total Receipts** | | 470,613,068 | 479,204,466 |
| **Payments** | | | |
| Employee costs | | (161,146,657) | (147,483,048) |
| Suppliers | | (240,183,058) | (293,295,248) |
| Finance costs | | (17,226,387) | (7,519,416) |
| **Total payments** | | (418,556,102) | (448,297,712) |
| **Net cash flows from operating activities** | 36 | **52,056,966** | **30,906,754** |
| **Cash flows from investing activities** | | | |
| Additions to property, plant and equipment | 4 | (21,390,190) | (48,274,501) |
| Disposals of property, plant and equipment | 4 | 1,286,751 | (89,148) |
| **Net cash flows from investing activities** | | **(20,103,439)** | **(48,363,649)** |
| **Cash flows from financing activities** | | | |
| Repayment of other financial liabilities | | - | (22,259) |
| Finance lease payments | | (2,484,446) | (1,902,659) |
| **Net cash flows from financing activities** | | **(2,484,446)** | **(1,924,918)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **29,469,081** | **(19,381,813)** |
| Cash and cash equivalents at the beginning of the year | | 489,616 | 19,871,426 |
| **Cash and cash equivalents at the end of the year** | 12 | **29,958,697** | **489,613** |

* See Note 41

# Statement of Comparison of Budget and Actual Amounts as at 30 June 2015

**Budget on Accrual Basis**

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Service charges | 237,397,133 | 21,790,247 | **259,187,380** | 231,626,914 | **(27,560,466)** | Indigent subsidies 6KL free water. |
| Rental of facilities and equipment | 1,962,158 | 216,302 | **2,178,460** | 2,101,040 | **(77,420)** | Over estimate on rental of facilities |
| Agency services | 8,814,600 | - | **8,814,600** | 10,196,635 | **1,382,035** | Over estimate as this income has no tread. |
| Other income - (rollup) | 20,430,767 | (2,803,000) | **17,627,767** | 11,252,791 | **(6,374,976)** | Wrong allocation on budget. |
| Interest received | 10,330,000 | 9,870,000 | **20,200,000** | 21,320,790 | **1,120,790** | Due to increase in debt book |
| **Total revenue from exchange transactions** | **278,934,658** | **29,073,549** | **308,008,207** | **276,498,170** | **(31,510,037)** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| Property rates | 66,131,310 | (31,782) | **66,099,528** | 66,148,543 | **49,015** | Actual income was more due to supplementary valuations |
| **Transfer revenue** | | | | | | |
| Government grants & subsidies | 121,155,800 | (17,787,680) | **103,368,120** | 166,595,135 | **63,227,015** | Capital budget of MIG not included |
| Fines | 315,609 | 168,973 | **484,582** | 5,868,569 | **5,383,987** | IGRAP1 dislcosure |
| **Total revenue from non-exchange transactions** | **187,602,719** | **(17,650,489)** | **169,952,230** | **238,612,247** | **68,660,017** | |
| **Total revenue** | **466,537,377** | **11,423,060** | **477,960,437** | **515,110,417** | **37,149,980** | |
| **Expenditure** | | | | | | |
| Employee related costs | (141,251,078) | (1,169,000) | **(142,420,078)** | (148,229,918) | **(5,809,840)** | Shif, Overtime,Standby due to a vacancy rate |
| Remuneration of councillors | (11,645,061) | (9,562) | **(11,654,623)** | (11,628,372) | **26,251** | Over budgeted |
| Depreciation and amortisation | (49,575,028) | (10,387,609) | **(59,962,637)** | (80,658,663) | **(20,696,026)** | Budget based on incorrect PPE amounts |

# Statement of Comparison of Budget and Actual Amounts as at 30 June 2015

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| Impairment loss/ Reversal of impairments | - | - | **-** | (5,875,651) | **(5,875,651)** | IGRAP1 disclosure |
| Finance costs | (10,507,274) | 204,000 | **(10,303,274)** | (17,462,862) | **(7,159,588)** | ESKOM charges for the year |
| Lease rentals on operating lease | - | - | **-** | (1,988,767) | **(1,988,767)** | GRAP1 classification |
| Bad debts written off | (26,509,708) | (50,914,299) | **(77,424,007)** | (41,111,695) | **36,312,312** | Impairment calculation correct to comply with GRAP 104 |
| Repairs and maintenance | (20,740,134) | 1,521,000 | **(19,219,134)** | (30,321,419) | **(11,102,285)** | Projects were expenses as no asset were of resulted expenditure |
| Bulk purchases | (165,390,000) | (22,875,600) | **(188,265,600)** | (216,894,442) | **(28,628,842)** | Increase in overall useage and demand charge from ESKOM. |
| Contracted Services | (37,081,803) | (16,419,791) | **(53,501,594)** | (47,844,552) | **5,657,042** | GRAP1 classifcation |
| General Expenses | (47,148,824) | 247,000 | **(46,901,824)** | (47,295,172) | **(393,348)** | Emergency services rendered to service delivery |
| **Total expenditure** | **(509,848,910)** | **(99,803,861)** | **(609,652,771)** | **(649,311,513)** | **(39,658,742)** | |
| **Operating deficit** | **(43,311,533)** | **(88,380,801)** | **(131,692,334)** | **(134,201,096)** | **(2,508,762)** | |
| Gain on disposal of assets and liabilities | 4,010,620 | (1,700,448) | **2,310,172** | 1,286,751 | **(1,023,421)** | Properties did not sell as anticipated |
| Actuarial gains/losses | - | - | **-** | 4,866,367 | **4,866,367** | Not budgeted for the year |
| Inventories losses/write-downs | - | - | **-** | 352,685 | **352,685** | Not budgeted for the year |
| | **4,010,620** | **(1,700,448)** | **2,310,172** | **6,505,803** | **4,195,631** | |
| **Deficit before taxation** | **(39,300,913)** | **(90,081,249)** | **(129,382,162)** | **(127,695,293)** | **1,686,869** | |
| **Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement** | **(39,300,913)** | **(90,081,249)** | **(129,382,162)** | **(127,695,293)** | **1,686,869** | |

# Statement of Comparison of Budget and Actual Amounts as at 30 June 2015

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| **Current Assets** | | | | | | |
| Inventories | 11,431,752 | (5,483,000) | **5,948,752** | 7,934,341 | **1,985,589** | Errors made to comply with GRAP |
| Receivables from exchange transactions | 18,062,150 | (1,728,000) | **16,334,150** | 10,605,214 | **(5,728,936)** | Errors made to comply with GRAP |
| Receivables from non-exchange transactions | - | - | **-** | 9,563,822 | **9,563,822** | Errors made to comply with GRAP |
| VAT receivable | - | - | **-** | 25,264,630 | **25,264,630** | Errors made to comply with GRAP |
| Consumer debtors | 159,471,931 | (64,280,000) | **95,191,931** | 42,687,200 | **(52,504,731)** | Errors made to comply with GRAP |
| Cash and cash equivalents | 32,570 | - | **32,570** | 29,958,706 | **29,926,136** | Budget based on incorrect AFS. |
| | **188,998,403** | **(71,491,000)** | **117,507,403** | **126,013,913** | **8,506,510** | |
| **Non-Current Assets** | | | | | | |
| Investment property | 8,858,077 | (8,858,000) | **77** | 56,097,589 | **56,097,512** | Errors made to comply with GRAP |
| Property, plant and equipment | 1,530,982,024 | (22,219,000) | **1,508,763,024** | 1,769,319,793 | **260,556,769** | Errors made to comply with GRAP |
| Intangible assets | 32,774 | (14,000) | **18,774** | - | **(18,774)** | Errors made to comply with GRAP |
| Heritage assets | - | - | **-** | 1,069,102 | **1,069,102** | Errors made to comply with GRAP |
| Other non-current assets | 1,135,386 | (66,000) | **1,069,386** | - | **(1,069,386)** | Errors made to comply with GRAP |
| | **1,541,008,261** | **(31,157,000)** | **1,509,851,261** | **1,826,486,484** | **316,635,223** | |
| **Total Assets** | **1,730,006,664** | **(102,648,000)** | **1,627,358,664** | **1,952,500,397** | **325,141,733** | |
| **Liabilities** | | | | | | |
| **Current Liabilities** | | | | | | |
| Borrowing | 5,226,311 | (3,438,000) | **1,788,311** | - | **(1,788,311)** | Errors made to comply with GRAP |
| Finance lease obligation | - | - | **-** | 1,219,802 | **1,219,802** | Errors made to comply with GRAP |

## Statement of Comparison of Budget and Actual Amounts as at 30 June 2015

Budget on Accrual Basis

| Figures in Rand | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| Payables from exchange transactions | 167,037,000 | 210,744,000 | **377,781,000** | 476,754,432 | **98,973,432** | Errors made to comply with GRAP |
| Consumer deposits | 8,441,121 | 1,843,000 | **10,284,121** | 10,688,167 | **404,046** | Errors made to comply with GRAP |
| Employee benefit obligation | - | - | **-** | 2,691,608 | **2,691,608** | Errors made to comply with GRAP |
| Unspent conditional grants and receipts | - | - | **-** | 1,212,316 | **1,212,316** | Errors made to comply with GRAP |
| Provisions | 8,592,941 | (8,593,000) | **(59)** | 558,061 | **558,120** | Errors made to comply with GRAP |
| | **189,297,373** | **200,556,000** | **389,853,373** | **493,124,386** | **103,271,013** | |
| **Non-Current Liabilities** | | | | | | |
| Other financial liabilities | 3,183,236 | (3,183,000) | **236** | - | **(236)** | Errors made to comply with GRAP |
| Finance lease obligation | - | - | **-** | 569,236 | **569,236** | Errors made to comply with GRAP |
| Employee benefit obligation | - | - | **-** | 37,744,025 | **37,744,025** | Errors made to comply with GRAP |
| Provisions | 10,761,279 | 57,612,000 | **68,373,279** | 32,797,751 | **(35,575,528)** | Errors made to comply with GRAP |
| | **13,944,515** | **54,429,000** | **68,373,515** | **71,111,012** | **2,737,497** | |
| **Total Liabilities** | **203,241,888** | **254,985,000** | **458,226,888** | **564,235,398** | **106,008,510** | |
| **Net Assets** | **1,526,764,776** | **(357,633,000)** | **1,169,131,776** | **1,388,264,999** | **219,133,223** | |
| **Net Assets** | | | | | | |
| **Net Assets Attributable to Owners of Controlling Entity** | | | | | | |
| **Reserves** | | | | | | |
| Accumulated surplus | 1,526,764,776 | (357,633,000) | **1,169,131,776** | 1,388,264,999 | **219,133,223** | Errors made to comply with GRAP |
| **Total Net Assets** | **1,526,764,776** | **(357,633,000)** | **1,169,131,776** | **1,388,264,999** | **219,133,223** | |

# Unaudited - Appropriation Statement as at 30 June 2015

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 | Actual Unauthorised expenditure | Variance per FMS | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | | | | | |
| **Financial Performance** | | | | | | | | | | | |
| Property rates | 66,131,310 | (31,782) | 66,099,528 | - | | 66,099,528 | 66,148,543 | | 49,015 | 100 % | 100 % |
| Service charges | 237,397,133 | 21,790,247 | 259,187,380 | - | | 259,187,380 | 231,626,914 | | (27,560,466) | 89 % | 98 % |
| Investment revenue | 10,330,000 | 9,870,000 | 20,200,000 | - | | 20,200,000 | 21,320,790 | | 1,120,790 | 106 % | 206 % |
| Transfers recognised - operational | 121,471,409 | (17,618,707) | 103,852,702 | - | | 103,852,702 | 172,463,704 | | 68,611,002 | 166 % | 142 % |
| Other own revenue | 35,218,145 | 9,722,612 | 44,940,757 | - | | 44,940,757 | 23,550,466 | | (21,390,291) | 52 % | 67 % |
| **Total revenue (excluding capital transfers and contributions)** | **470,547,997** | **23,732,370** | **494,280,367** | **-** | | **494,280,367** | **515,110,417** | | **20,830,050** | **104 %** | **109 %** |
| Employee costs | (141,251,078) | (1,118,803) | (142,369,881) | - | - | (142,369,881) | (148,229,918) | (6,020,447) | (5,860,037) | 104 % | 105 % |
| Remuneration of councillors | (11,645,061) | (9,562) | (11,654,623) | - | - | (11,654,623) | (11,628,372) | - | 26,251 | 100 % | 100 % |
| Bad Debts written off | (26,509,708) | (50,914,299) | (77,424,007) | | | (77,424,007) | (41,111,694) | - | 36,312,313 | 53 % | 155 % |
| Depreciation and asset impairment | (49,575,028) | (10,387,609) | (59,962,637) | | | (59,962,637) | (86,534,314) | (83,601,825) | (26,571,677) | 144 % | 175 % |
| Finance charges | (10,507,274) | 292,669 | (10,214,605) | - | - | (10,214,605) | (17,462,862) | (7,248,257) | (7,248,257) | 171 % | 166 % |
| Bulk purchases | (165,390,000) | (22,875,600) | (188,265,600) | - | - | (188,265,600) | (216,894,442) | (28,628,842) | (28,628,842) | 115 % | 131 % |
| Other expenditure | (104,970,761) | (15,020,818) | (119,991,579) | - | - | (119,991,579) | (122,842,787) | (41,394,306) | (2,851,208) | 102 % | 117 % |
| **Total expenditure** | **(509,848,910)** | **(100,034,022)** | **(609,882,932)** | **-** | **-** | **(609,882,932)** | **(644,704,389)** | **(166,893,677)** | **(34,821,457)** | **106 %** | **126 %** |
| **Surplus/(Deficit)** | **(39,300,913)** | **(76,301,652)** | **(115,602,565)** | **-** | | **(115,602,565)** | **(129,593,972)** | | **(13,991,407)** | **112 %** | **330 %** |
| **Surplus/(Deficit) for the year** | **(39,300,913)** | **(76,301,652)** | **(115,602,565)** | **-** | | **(115,602,565)** | **(129,593,972)** | | **(13,991,407)** | **112 %** | **330 %** |

# Accounting Policies for the period ended 2015

### 1. Presentation of Audited Annual Financial Statements

The audited 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 audited 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 audited annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### 1.1 Presentation currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

### 1.2 Going concern assumption

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

### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited annual financial statements. Significant judgements include:

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

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

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

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

An allowance for stock to write stock 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 operation surplus note.

# Accounting Policies for the period ended 2015

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

**Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale 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 municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

**Impairment testing**

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

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

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

**Useful lives of Property, Plant and equipment, Investment property and Heritage assets**

The municipality's management determines the estimated useful lives and related depreciation charges for Property, plant and equipment, Investment property and Heritage assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

**Post retirement benefits**

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

# Accounting Policies for the period ended 2015

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

**Effective interest rate**

The municipality used the prime interest rate to discount future cash flows.

**Allowance for doubtful debts**

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

**Offsetting**

All assets and liabilities been grossed up (i.e. not offset against each other), except where offsetting is required or permitted by a Standard of GRAP or where offsetting reflects the substance of the transaction or other event.

### 1.4 Investment property

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

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

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

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

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

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

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

**Cost model**

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

| Item | Useful life |
|---|---|
| Property - land | indefinite |
| Property - buildings | 50 years |

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

# Accounting Policies for the period ended 2015

### 1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

| Item | Depreciation method | Average useful life |
|---|---|---|
| Land | Straight line | Indifinite |
| Buildings | Straight line | 20 - 50 Years |
| Plant and machinery | Straight line | 2 - 15 Years |
| Furniture and fixtures | Straight line | 2 - 10 Years |
| Motor vehicles | Straight line | 2 - 10 Years |
| Office equipment | Straight line | 2 - 10 Years |
| IT equipment | Straight line | 2 - 5 Years |
| Computer software | Straight line | 1 Year |
| Workshop Equipment | Straight line | 5 Years |
| Infrastructure | Straight line | 1 - 65 Years |
| Community | Straight line | 2 - 50 Years |
| Other property, plant and equipment | Straight line | 5 Years |

# Accounting Policies for the period ended 2015

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

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.

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

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

Property, plant and equipment which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. 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.

### 1.6 Site restoration and dismantling cost

The municipality 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 municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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 municipality 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.

# Accounting Policies for the period ended 2015

### 1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the audited annual financial statements.

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.

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

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.

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.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

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 municipality 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 municipality, and the cost or fair value of the asset can be measured reliably.

**Initial measurement**

Heritage assets are measured at cost.

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

**Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

**Impairment**

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

# Accounting Policies for the period ended 2015

### 1.7 Heritage assets (continued)

**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.

**Derecognition**

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

### 1.8 Financial instruments

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

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

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

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

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

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

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

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

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

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

### 1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;

# Accounting Policies for the period ended 2015

**1.8 Financial instruments (continued)**

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

**Classification**

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

| Class | Category |
|---|---|
| Trade Debtors from Exchange Transactions | Financial asset measured at amortised cost |
| Consumer Debtors From Exchange Transactions | Financial asset measured at amortised cost |
| Trade Debtors from Non Exchange Transactions | Financial asset measured at amortised cost |
| Consumer Debtors From Non Exchange Transactions | Financial asset measured at amortised cost |
| Other financial assets | Financial asset measured at fair value |

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

| Class | Category |
|---|---|
| Payables from Exchange Transactions | Financial liability measured at amortised cost |
| Consumer Deposits | Financial liability measured at amortised cost |
| Financial Liabilities | Financial liability measured at amortised cost |
| Other financial liabilities | Financial liability measured at fair value |

**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 transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

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

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

# Accounting Policies for the period ended 2015

### 1.8 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 municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

**Reclassification**

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

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

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

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

**Gains and losses**

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

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

**Impairment and uncollectibility of financial assets**

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

Financial assets measured at amortised cost:

# Accounting Policies for the period ended 2015

### 1.8 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

### 1.8 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.

# Accounting Policies for the period ended 2015

### 1.8 Financial instruments (continued)

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

**Presentation**

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

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

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

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

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.

### 1.9 Tax

**Current tax assets and liabilities**

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

### 1.10 Leases

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

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

**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.

# Accounting Policies for the period ended 2015

### 1.10 Leases (continued)

**Operating leases - lessor**

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

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

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

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

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

**Operating leases - lessee**

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

### 1.11 Inventories

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 municipality 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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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.

# Accounting Policies for the period ended 2015

### 1.12 Impairment of cash-generating assets

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

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

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

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

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

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

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

Recoverable amount of an asset or a cash-generating unit is the higher 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 municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

**Identification**

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

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

Irrespective of whether there is any indication of impairment, the municipality 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 municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

# Accounting Policies for the period ended 2015

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

**Basis for estimates of future cash flows**

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

**Composition of estimates of future cash flows**

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

**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 municipality 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 for the period ended 2015

### 1.12 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 municipality 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 municipality 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.

# Accounting Policies for the period ended 2015

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

**Reversal of impairment loss**

The municipality 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.

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

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

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

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

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

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

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

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

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

# Accounting Policies for the period ended 2015

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

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

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

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow: [Specify criteria]

**Identification**

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

The municipality 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 municipality 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.

**Value in use**

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

**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 municipality 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.

# Accounting Policies for the period ended 2015

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

**Recognition and measurement**

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

**Reversal of an impairment loss**

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

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

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

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

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

# Accounting Policies for the period ended 2015

### 1.14 Employee benefits

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

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

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

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

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

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

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

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

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

**Short-term employee benefits**

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

Short-term employee benefits include items such as:

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

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

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

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

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

## Accounting Policies for the period ended 2015

**1.14 Employee benefits (continued)**

**Post-employment benefits**

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

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

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

# Accounting Policies for the period ended 2015

**1.14 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.

# Accounting Policies for the period ended 2015

### 1.14 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

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

# Accounting Policies for the period ended 2015

### 1.14 Employee benefits (continued)

**Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

### 1.15 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

# Accounting Policies for the period ended 2015

**1.15 Provisions and contingencies (continued)**

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

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

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

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

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

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

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

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

# Accounting Policies for the period ended 2015

### 1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.17 Revenue from exchange transactions

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

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

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

**Measurement**

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

**Sale of goods**

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

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

**Rendering of services**

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- 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 revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

# Accounting Policies for the period ended 2015

### 1.17 Revenue from exchange transactions (continued)

**Interest, royalties and dividends**

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 municipality, and
- The amount of the revenue can be measured reliably.

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

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

### 1.18 Revenue from non-exchange transactions

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

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

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

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 municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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

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

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.

# Accounting Policies for the period ended 2015

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

**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 municipality 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 municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the 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 municipality 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 municipality 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 municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

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

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

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

# Accounting Policies for the period ended 2015

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

**Fines**

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 municipality.

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

**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 municipality and the fair value of the assets can be measured reliably.

**Services in-kind**

Services in-kind are not recognised.

### 1.19 Investment income

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

### 1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

### 1.21 Comparative figures

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

### 1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.23 Fruitless and wasteful expenditure

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

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

### 1.24 Irregular expenditure

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

# Accounting Policies for the period ended 2015

### 1.25 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality 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.

### 1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 01-07-2014 to 30-06-2015.

The audited annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.27 Related parties

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

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

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

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

### 1.28 Grants-in aid (Expense)

The municipality annually awards grants to individuals and organisations based on merit. When making these transfers, the municipality does not:
• receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
• expect to be repaid in future; or
• expect a financial return, as would be expected from an investment.

### 1.29 Value added tax

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

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 2. New standards and interpretations

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

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

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

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

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • GRAP 18: Segment Reporting | 01 April 2015 | The impact of the amendment is not material. |
| • GRAP 107: Mergers | 01 April 2015 | The impact of the amendment is not material. |
| • GRAP 20: Related parties | 01 April 2016 | The impact of the amendment is not material. |
| • GRAP32: Service Concession Arrangements: Grantor | 01 April 2016 | The impact of the amendment is not material. |
| • GRAP108: Statutory Receivables | 01 April 2016 | The impact of the amendment is not material. |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 3. Investment property

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 72,764,073 | (16,666,484) | 56,097,589 | 72,764,073 | (14,285,558) | 58,478,515 |
| **Total** | **72,764,073** | **(16,666,484)** | **56,097,589** | **72,764,073** | **(14,285,558)** | **58,478,515** |

**Reconciliation of investment property - 2015**

| | Opening balance | Depreciation | Total |
|---|---|---|---|
| Investment property | 58,478,515 | (2,380,926) | 56,097,589 |
| | **58,478,515** | **(2,380,926)** | **56,097,589** |

**Reconciliation of investment property - 2014**

| | Opening balance | Depreciation | Total |
|---|---|---|---|
| Investment property | 60,859,441 | (2,380,926) | 58,478,515 |
| | **60,859,441** | **(2,380,926)** | **58,478,515** |

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

# Notes to the Audited Annual Financial Statements

Figures in Rand

## 4. Property, plant and equipment

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 129,466,739 | - | 129,466,739 | 129,466,739 | - | 129,466,739 |
| Buildings | 99,398,987 | (23,193,097) | 76,205,890 | 99,398,987 | (19,879,797) | 79,519,190 |
| Plant and machinery | 2,315,689 | (1,366,597) | 949,092 | 2,298,811 | (1,135,813) | 1,162,998 |
| Furniture and fixtures | 6,812,780 | (3,966,892) | 2,845,888 | 6,807,517 | (3,285,696) | 3,521,821 |
| Motor vehicles | 11,644,940 | (6,700,186) | 4,944,754 | 10,743,620 | (5,961,421) | 4,782,199 |
| Office equipment | 1,101,299 | (626,806) | 474,493 | 1,067,399 | (516,820) | 550,579 |
| IT equipment | 2,156,522 | (1,158,944) | 997,578 | 1,918,466 | (939,740) | 978,726 |
| Work in progress | 10,831,269 | - | 10,831,269 | 35,141,160 | - | 35,141,160 |
| Community | 81,007,425 | (18,759,623) | 62,247,802 | 81,007,425 | (16,025,383) | 64,982,042 |
| Landfill sites | 4,409,731 | - | 4,409,731 | 4,409,731 | - | 4,409,731 |
| Infrastructure - Generation | 388,938,429 | (117,321,836) | 271,616,593 | 376,808,268 | (107,598,906) | 269,209,362 |
| Infrastructure-Reticulation | 49,740 | (22,061) | 27,679 | 49,740 | (21,066) | 28,674 |
| Infrastructure-Roads, Pavements & Bridges | 895,149,450 | (366,717,738) | 528,431,712 | 892,401,603 | (324,752,487) | 567,649,116 |
| Infrastructure-Sewerage | 623,454,644 | (224,234,348) | 399,220,296 | 623,454,644 | (213,309,947) | 410,144,697 |
| Infrastructure-Transportation | 7,482,550 | (3,741,275) | 3,741,275 | 7,482,550 | (3,367,147) | 4,115,403 |
| Infrastructure-Water purification | 370,597,597 | (101,684,651) | 268,912,946 | 340,069,622 | (94,678,293) | 245,391,329 |
| Leased Assets | 5,341,611 | (1,824,804) | 3,516,807 | 6,242,931 | (1,689,200) | 4,553,731 |
| Other Assets | 1,205,949 | (726,700) | 479,249 | 1,205,949 | (606,105) | 599,844 |
| **Total** | **2,641,365,351** | **(872,045,558)** | **1,769,319,793** | **2,619,975,162** | **(793,767,821)** | **1,826,207,341** |

# Notes to the Audited Annual Financial Statements

Figures in Rand

**4. Property, plant and equipment (continued)**

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

| | Opening balance | Additions | Transfers | Depreciation | Total |
|---|---|---|---|---|---|
| Land | 129,466,739 | - | - | - | 129,466,739 |
| Buildings | 79,519,190 | - | - | (3,313,300) | 76,205,890 |
| Plant and machinery | 1,162,998 | 16,879 | - | (230,785) | 949,092 |
| Furniture and fixtures | 3,521,821 | 5,263 | - | (681,196) | 2,845,888 |
| Motor vehicles | 4,782,199 | - | 443,845 | (281,290) | 4,944,754 |
| Office equipment | 550,579 | 33,900 | - | (109,986) | 474,493 |
| IT equipment | 978,726 | 238,056 | - | (219,204) | 997,578 |
| Work in progress | 35,141,160 | 20,474,314 | (44,784,205) | - | 10,831,269 |
| Community | 64,982,042 | - | - | (2,734,240) | 62,247,802 |
| Landfill sites | 4,409,731 | - | - | - | 4,409,731 |
| Infrastructure - Generation | 269,209,362 | 621,778 | 11,508,383 | (9,722,930) | 271,616,593 |
| Infrastructure-Reticulation | 28,674 | - | - | (995) | 27,679 |
| Infrastructure-Roads, Pavements & Bridges | 567,649,116 | - | 2,747,847 | (41,965,251) | 528,431,712 |
| Infrastructure-Sewerage | 410,144,697 | - | - | (10,924,401) | 399,220,296 |
| Infrastructure-Transportation | 4,115,403 | - | - | (374,128) | 3,741,275 |
| Infrastructure-Water purification | 245,391,329 | - | 30,527,975 | (7,006,358) | 268,912,946 |
| Leased Assets | 4,553,731 | - | (443,845) | (593,079) | 3,516,807 |
| Other Assets | 599,844 | - | - | (120,595) | 479,249 |
| | **1,826,207,341** | **21,390,190** | **-** | **(78,277,738)** | **1,769,319,793** |

# Notes to the Audited Annual Financial Statements

Figures in Rand

**4. Property, plant and equipment (continued)**

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

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|
| Land | 129,677,731 | - | (210,992) | - | - | - | 129,466,739 |
| Buildings | 82,832,489 | - | - | - | (3,313,299) | - | 79,519,190 |
| Plant and machinery | 1,389,638 | 3,330 | (151) | - | (229,819) | - | 1,162,998 |
| Furniture and fixtures | 4,203,669 | 7,560 | (7,372) | - | (682,036) | - | 3,521,821 |
| Motor vehicles | 7,073,188 | - | (279,870) | - | (432,174) | (1,578,945) | 4,782,199 |
| Office equipment | 671,164 | 6,173 | (11,623) | - | (115,135) | - | 550,579 |
| IT equipment | 1,127,976 | 68,341 | (17,815) | - | (199,776) | - | 978,726 |
| Work in progress | 5,953,302 | 45,362,147 | - | (16,174,289) | - | - | 35,141,160 |
| Community | 67,716,283 | - | - | - | (2,734,241) | - | 64,982,042 |
| Landfill sites | 4,409,731 | - | - | - | - | - | 4,409,731 |
| Infrastructure - Generation | 268,848,312 | 1,560,559 | - | 8,249,227 | (9,448,736) | - | 269,209,362 |
| Infrastructure-Reticulation | 29,668 | - | - | - | (994) | - | 28,674 |
| Infrastructure-Roads, Pavements & Bridges | 601,497,331 | - | - | 7,925,062 | (41,773,277) | - | 567,649,116 |
| Infrastructure-Sewerage | 421,069,097 | - | - | - | (10,924,400) | - | 410,144,697 |
| Infrastructure-Transportation | 4,489,530 | - | - | - | (374,127) | - | 4,115,403 |
| Infrastructure-Water purification | 252,397,620 | - | - | - | (7,006,291) | - | 245,391,329 |
| Leased Assets | 3,801,886 | 1,265,541 | - | - | (513,696) | - | 4,553,731 |
| Other Assets | 719,576 | 850 | - | - | (120,582) | - | 599,844 |
| | **1,857,908,191** | **48,274,501** | **(527,823)** | **-** | **(77,868,583)** | **(1,578,945)** | **1,826,207,341** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**4. Property, plant and equipment (continued)**

**Reconciliation of Work-in-Progress 2015**

| | Included within Infrastructure | Total |
|---|---|---|
| Opening balance | 35,141,160 | 35,141,160 |
| Additions/capital expenditure | 20,474,314 | 20,474,314 |
| Transferred to completed items | (44,784,205) | (44,784,205) |
| | **10,831,269** | **10,831,269** |

**Reconciliation of Work-in-Progress 2014**

| | Included within Infrastructure | Total |
|---|---|---|
| Opening balance | 5,953,302 | 5,953,302 |
| Additions/capital expenditure | 45,362,147 | 45,362,147 |
| Transferred to completed items | (16,174,289) | (16,174,289) |
| | **35,141,160** | **35,141,160** |

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

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 5. Heritage assets

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| **Heritage assets which fair values cannot be reliably measured: (Para .94)** | | | | | | |
| Art Collections, antiquities and exhibits | 1,069,102 | - | 1,069,102 | 1,069,102 | - | 1,069,102 |
| **Total** | **1,069,102** | **-** | **1,069,102** | **1,069,102** | **-** | **1,069,102** |

**Reconciliation of heritage assets 2015**

| | Opening balance | Total |
|---|---|---|
| **Heritage assets which fair values cannot be reliably measured: (Para .94)** | | |
| Art Collections, antiquities and exhibits | 1,069,102 | 1,069,102 |
| | **1,069,102** | **1,069,102** |

**Reconciliation of heritage assets 2014**

| | Opening balance | Total |
|---|---|---|
| **Heritage assets which fair values cannot be reliably measured: (Para .94)** | | |
| Art Collections, antiquities and exhibits | 1,069,102 | 1,069,102 |
| | **1,069,102** | **1,069,102** |

### 6. Employee benefit obligations

**Defined benefit plan**

The plan is a post employment medical benefit plan.

**Post retirement medical aid plan**

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

**Components of Health Care Liabilities**

Contribution rates tables are based only on type and number of dependants, and income. As expected health care costs (or claims) tend to increase with average age, younger (in-service) members generally subsidise older (continuation) members.

**Contributions-based Liability:** This is the present value of all future post-retirement health care contributions expected to become payable under the employer's health care arrangements, based on the assumptions made. It may be regarded as the amount that should be set aside today to cover all expected post-retirement health care contributions (both the employer and continuation members' shares) for the current membership.

**Benefits-based Liability:** This is the present value of all future post-retirement health care costs expected to become payable under the employer's health care arrangements, based on the assumptions made. It may be regarded as the amount that should be set aside in today's terms to cover all expected post-retirement health care benefits payable for the current membership, ignoring what contributions may be payable.

**Cross-subsidy Liability:** This is the difference between the Benefits-based Liability and the Contributions-based Liability, as defined above. It may be regarded as the amount of money in present-day terms that is expected to flow from other members of the medical scheme(s) in question, to cover the shortfall between post-retirement benefits and contributions payable. These other members are generally in-service members of the employer, and/or of other employers participating in the medical scheme(s).

**Past-service and future-service liability:** Liabilities of an employer may be split between a past-service (or accrued) element and a future-service element. This serves to recognise the manner in which the accounting standards suggest that the liabilities be accrued uniformly over an employee's period of service. The method of accrual that has been used in this valuation is based on length of service at the valuation date relative to total potential service until the expected retirement date. For example, a 40-year-old in-service member with 15 years of service and an expected retirement age of 60 has a total potential service of 35 years. In this case, assuming that the member "earns" an equal share for each year of service, the past-service liability assumed to have accrued at the valuation date, is then 15/35 of the total liability. The future service liability is the difference between the total liability and the past-service liability. The current service cost for the following year is determined as the amount assumed to accrue to the member over the next 12 months. In this example, this amounts to 1/35 of the total liability.

**Accrued Liability:** In defining what liability the employer should focus on for accounting purposes, a sensible starting point is the value of the employer's share of the Contributions-based Liability. This is based on the subsidy policy in question, whether it is defined via contracts of employment or established practice.

**Cross-subsidy Liability:** The employer's share of the Cross-subsidy Liability (as defined above) may in certain circumstances be regarded as a contingent liability of the employer. For example, should the law governing medical aid schemes be changed in future to allow for age-based contribution rates. This potential liability has not been evaluated as part of this exercise.

**Unfunded Accrued Liability:** This is the difference between the Accrued (or past-service) Liability and the value of any off balance sheet assets that have been accumulated specifically by the employer to provide for its post-retirement health care liabilities.

Given the process described above, the liability in respect of current continuation members may be regarded as fully accrued, and is therefore not split between a past-service (or accrued) and future-service element.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**6. Employee benefit obligations (continued)**

**Other defined benefit - Long service awards**

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

| Completed Service (in years) | Long Service Bonuses (% of Annual Salary) | Description |
|---|---|---|
| 10 | 4% | 10 / 250 x annual salary |
| 15 | 8% | 20 / 250 x annual salary |
| 20,25,30,35,40,45 | 12% | 30 / 250 x annual salary |

**Introduction**

In estimating the unfunded liability for LSA of Msukaligwa Municipality a number of assumptions are required. GRAP 25 requires the actuarial assumptions to be unbiased (i.e. neither imprudent nor excessively conservative) and mutually compatible (i.e. reflective of the economic relationships between factors such as return on assets and inflation rates). This appendix reviews the most important of these assumptions.

**Financial Assumptions**

It is difficult to predict future investment returns and health care cost inflation rates. The relationship between them is more stable and therefore easier to predict. GRAP 25 requires that financial assumptions be based on market expectations at the Valuation Date for the period over which the liability obligations are to be settled.

**Discount Rate:** GRAP 25 stipulates that the choice of this rate should be derived from high quality corporate bond yields. However, where the market in these bonds is not significant, the market yields on government bonds consistent with the estimated term of the liabilities should be used.

Consequently, a discount rate of 8.09% per annum has been used. This is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability weighted index-linked yield is 1.37%. These rates do not reflect any adjustment for taxation. These rates were deduced from the Johannesburg Stock Exchange (JSE) Zero Coupon bond yield after the market close on 30 June 2015.

The average duration of the total liability is 7.51 years.

**Salary Inflation Rate:** This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award.

The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

**General Salary Inflation:** This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 6.14% was obtained from the differential between market yields on index-linked bonds (1.37%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.09%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+8.09%-0.50%)/(1+1.37%))-1.

Thus, a general salary inflation rate of 7.14% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 0.89%.

It has been assumed that the next salary increase will take place on 1 July 2016.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**6. Employee benefit obligations (continued)**

**Demographic Assumptions**

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

**Promotional Salary Scale:** The annual inflation rates below are in addition to the General Salary Inflation assumption of 7.14% per annum for all employees.

**Pre-retirement Mortality:** SA85-90 ultimate table, adjusted down for female lives.

**Average Retirement Age:** The normal retirement age is 65. It has been assumed that employees will retire at age 63 on average, which implicitly makes an allowance for expected rates of early and illhealth retirement

Withdrawal from Service:

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

| **Carrying value** | | |
|---|---|---|
| Present value of the defined benefit obligation-wholly unfunded | (40,435,633) | (41,724,000) |
| | **(40,435,633)** | **(41,724,000)** |
| | | |
| Non-current liabilities | (37,744,025) | (36,703,000) |
| Current liabilities | (2,691,608) | (5,021,000) |
| | **(40,435,633)** | **(41,724,000)** |

The fair value of plan assets includes:

**Net expense recognised in the statement of financial performance**

| | | |
|---|---|---|
| Opening balance | 41,724,000 | 40,211,000 |
| Past service cost | 1,443,000 | 1,395,000 |
| Interest cost | 3,578,000 | 2,920,000 |
| Actuarial (gains)/losses | (3,447,367) | 89,584 |
| Expected Benefit Vestings | (705,000) | (2,891,584) |
| Expected Contributions | (2,157,000) | - |
| | **40,435,633** | **41,724,000** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 7. Inventories

| | | |
|---|---|---|
| Consumable stores | 7,574,479 | 2,724,153 |
| Water | 359,862 | 919,825 |
| | **7,934,341** | **3,643,978** |

| | | |
|---|---|---|
| Carrying value of inventories carried at fair value less costs to sell | 7,934,341 | 3,643,978 |

## 8. Receivables from exchange transactions

| | | |
|---|---|---|
| Bank reconciliation items | 6,269,069 | 6,238,248 |
| Sundry debtors | 4,336,145 | 5,606,733 |
| | **10,605,214** | **11,844,981** |

**Credit quality of trade and other receivables**

The credit quality of trade and other receivables 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:

**Trade receivables**

| | | |
|---|---|---|
| **Counterparties with external credit rating (Moody's)** | | |
| Baa2 | 10,605,214 | 11,844,981 |
| | **10,605,214** | **11,844,981** |

## 9. Receivables from non-exchange transactions

| | | |
|---|---|---|
| Fines | 456,822 | - |
| Goverment grants receivable | 9,107,000 | - |
| | **9,563,822** | **-** |

**Receivables from non-exchange transactions impaired**

As of 30 June 2015, other receivables from non-exchange transactions were impaired and provided for:

| | | |
|---|---|---|
| Traffic fines | 4,890,615 | 1,040,520 |
| Goverment grants | 1,898,679 | |

The amount of the provision was 6,789,294 as of 30 June 2015 (2014: 1,040,520).

The ageing of these loans is as follows:

## 10. VAT receivable

| | | |
|---|---|---|
| VAT | 25,264,630 | 13,081,002 |
| | **25,264,630** | **13,081,002** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 11. Consumer debtors

| | | |
|---|---|---|
| **Gross balances** | | |
| Rates | 60,166,816 | 57,848,870 |
| Electricity | 72,360,596 | 65,830,798 |
| Water | 68,948,669 | 61,851,332 |
| Sewerage | 49,175,955 | 50,736,715 |
| Refuse | 52,964,242 | 47,915,362 |
| Other | 22,264,002 | 17,283,421 |
| | **325,880,280** | **301,466,498** |
| **Less: Allowance for impairment** | | |
| Rates | (48,850,041) | (48,162,588) |
| Electricity | (55,799,568) | (51,121,513) |
| Water | (61,783,539) | (56,593,497) |
| Sewerage | (44,881,788) | (47,074,846) |
| Refuse | (50,032,297) | (46,854,047) |
| Other | (21,845,847) | (17,145,089) |
| | **(283,193,080)** | **(266,951,580)** |
| **Net balance** | | |
| Rates | 11,316,775 | 9,686,282 |
| Electricity | 16,561,028 | 14,709,285 |
| Water | 7,165,130 | 5,257,835 |
| Sewerage | 4,294,167 | 3,661,869 |
| Refuse | 2,931,945 | 1,061,315 |
| Other | 418,155 | 138,332 |
| | **42,687,200** | **34,514,918** |
| **Included in above is receivables from exchange transactions** | | |
| Electricity | 16,561,029 | 14,709,285 |
| Water | 7,165,130 | 5,257,835 |
| Sewerage | 4,294,167 | 3,661,869 |
| Refuse | 2,931,945 | 1,061,314 |
| Other | 418,155 | 138,332 |
| | **31,370,426** | **24,828,635** |
| **Included in above is receivables from non-exchange transactions (taxes and transfers)** | | |
| Rates | 11,316,775 | 9,686,282 |
| | **11,316,775** | **9,686,282** |
| **Net balance** | **42,687,201** | **34,514,917** |
| **Rates** | | |
| Current (0 -30 days) | 2,597,359 | 2,359,698 |
| 31 - 60 days | 1,973,934 | 1,774,386 |
| 61 - 90 days | 1,744,196 | 1,607,589 |
| 91 - 120 days | 1,571,613 | 1,339,106 |
| 121 - 365 days | 7,871,475 | 6,257,582 |
| > 365 days | 44,408,239 | 44,510,509 |
| Consumer Impairment | (48,850,041) | (48,162,588) |
| | **11,316,775** | **9,686,282** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**11. Consumer debtors (continued)**

| | | |
|---|---|---|
| **Electricity** | | |
| Current (0 -30 days) | 3,590,543 | 2,846,564 |
| 31 - 60 days | 1,782,906 | 1,673,754 |
| 61 - 90 days | 1,431,705 | 1,558,570 |
| 91 - 120 days | 1,336,022 | 1,306,921 |
| 121 - 365 days | 7,901,812 | 6,398,348 |
| > 365 days | 56,317,608 | 52,046,641 |
| Consumer Impairment | (55,799,568) | (51,121,513) |
| | **16,561,028** | **14,709,285** |
| **Water** | | |
| Current (0 -30 days) | 2,163,545 | 1,839,837 |
| 31 - 60 days | 1,368,110 | 1,363,627 |
| 61 - 90 days | 1,425,727 | 1,158,852 |
| 91 - 120 days | 1,435,088 | 1,080,114 |
| 121 - 365 days | 7,190,718 | 4,880,229 |
| > 365 days | 55,365,481 | 51,528,673 |
| Consumer Impairment | (61,783,539) | (56,593,497) |
| | **7,165,130** | **5,257,835** |
| **Sewerage** | | |
| Current (0 -30 days) | 1,146,497 | 1,147,826 |
| 31 - 60 days | 969,201 | 1,010,876 |
| 61 - 90 days | 913,825 | 971,910 |
| 91 - 120 days | 892,631 | 767,721 |
| 121 - 365 days | 4,963,526 | 3,855,108 |
| > 365 days | 40,290,275 | 42,983,274 |
| Consumer Impairment | (44,881,788) | (47,074,846) |
| | **4,294,167** | **3,661,869** |
| **Refuse** | | |
| Current (0 -30 days) | 1,117,503 | 1,028,810 |
| 31 - 60 days | 836,688 | 818,163 |
| 61 - 90 days | 797,831 | 772,262 |
| 91 - 120 days | 776,895 | 539,936 |
| 121 - 365 days | 4,413,072 | 2,757,011 |
| > 365 days | 45,022,253 | 41,999,180 |
| Consumer Impairment | (50,032,297) | (46,854,047) |
| | **2,931,945** | **1,061,315** |
| **Other (specify)** | | |
| Current (0 -30 days) | 525,689 | 495,212 |
| 31 - 60 days | 291,760 | 413,334 |
| 61 - 90 days | 499,579 | 308,513 |
| 91 - 120 days | 489,284 | 262,303 |
| 121 - 365 days | 5,076,124 | 1,599,112 |
| > 365 days | 15,381,566 | 14,204,947 |
| Consumer Impairment | (21,845,847) | (17,145,089) |
| | **418,155** | **138,332** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 11. Consumer debtors (continued)

**Reconciliation of allowance for impairment**

| | | |
|---|---|---|
| Balance at beginning of the year | (266,951,580) | (255,504,873) |
| Contributions to allowance | (16,241,500) | (11,446,707) |
| | **(283,193,080)** | **(266,951,580)** |

**Fair value of consumer debtors**

| | | |
|---|---|---|
| Consumer debtors | 42,687,200 | 34,514,918 |
| | **42,687,200** | **34,514,918** |

**Consumer debtors impaired**

As of 30 June 2015, consumer debtors of R 283,193,080 were impaired and provided for.

The amount of the provision was R16,241,500 as of 30 June 2015 (2014: R11,446,707).

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 12. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 33,420 | 32,570 |
| Bank balances | 1,738,061 | 457,046 |
| Short-term deposits | 28,187,225 | - |
| | **29,958,706** | **489,616** |

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

| | | |
|---|---|---|
| **Credit rating** | | |
| Baa2 | 29,925,286 | 457,046 |
| | **29,925,286** | **457,046** |

**The municipality had the following bank accounts**

| **Account number / description** | **Bank statement balances** | | | **Cash book balances** | | |
|---|---|---|---|---|---|---|
| | **30 June 2015** | **30 June 2014** | **30 June 2013** | **30 June 2015** | **30 June 2014** | **30 June 2013** |
| Standard Bank - Business Account - 031077110 | 1,738,061 | 457,046 | 2,832,034 | 1,738,061 | 457,046 | 2,832,034 |
| Standard Bank - Market Link - 335515525 | 27,522,683 | - | 17,007,675 | 27,522,683 | - | 17,007,675 |
| Standard Bank - Market Link - 738887536-017 | 664,542 | - | - | 664,542 | - | - |
| **Total** | **29,925,286** | **457,046** | **19,839,709** | **29,925,286** | **457,046** | **19,839,709** |

## 13. Finance lease obligation

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 1,322,277 | 2,520,588 |
| - in second to fifth year inclusive | 615,479 | 1,937,251 |
| | 1,937,756 | 4,457,839 |
| less: future finance charges | (148,718) | (420,830) |
| **Present value of minimum lease payments** | **1,789,038** | **4,037,009** |

| | | |
|---|---|---|
| **Present value of minimum lease payments due** | | |
| - within one year | 1,219,802 | 2,247,971 |
| - in second to fifth year inclusive | 569,236 | 1,789,038 |
| | **1,789,038** | **4,037,009** |

| | | |
|---|---|---|
| Non-current liabilities | 569,236 | 1,789,038 |
| Current liabilities | 1,219,802 | 2,247,971 |
| | **1,789,038** | **4,037,009** |

**Market risk**

The carrying amounts of finance lease liabilities are denominated in the following currencies:

| | | |
|---|---|---|
| Rand | 1,789,038 | 4,037,009 |

The fair value of finance lease liabilities approximates their carrying amounts.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 14. Unspent conditional grants and receipts

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

| **Unspent conditional grants and receipts** | | |
|---|---|---|
| Sport and Recreation Grant - National Lottery | 700,000 | 700,000 |
| Municipal Infrastructure Grant | 512,316 | 7,311,587 |
| Integrated National Electrification Grant | - | 3,142,462 |
| | **1,212,316** | **11,154,049** |

**Movement during the year**

| | | |
|---|---|---|
| Balance at the beginning of the year | 11,154,049 | 7,063,681 |
| Additions during the year | 145,433,000 | 172,374,000 |
| Income recognition during the year | (166,380,413) | (168,283,632) |
| Receivable through non exchange transaction | 11,005,680 | - |
| | **1,212,316** | **11,154,049** |

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

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

See note 24 for reconciliation of grants from National/Provincial Government.

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

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 15. Provisions

**Reconciliation of provisions - 2015**

| | Opening Balance | Additions | Total |
|---|---|---|---|
| Environmental rehabilitation | 32,806,935 | 548,877 | 33,355,812 |
| | **32,806,935** | **548,877** | **33,355,812** |

**Reconciliation of provisions - 2014**

| | Opening Balance | Additions | Total |
|---|---|---|---|
| Environmental rehabilitation | 32,267,092 | 539,843 | 32,806,935 |
| | **32,267,092** | **539,843** | **32,806,935** |

| | | |
|---|---|---|
| Non-current liabilities | 32,797,751 | 32,258,058 |
| Current liabilities | 558,061 | 548,877 |
| | **33,355,812** | **32,806,935** |

**Environmental rehabilitation provision**

**Adjustment of unit costs**

The baseline for the unit costs used in the GLCCM was set in 2011. Unit costs are adjusted annually on 1 April.

For the various cost elements relating to pre-closure planning as well as post-closure monitoring and maintenance, the Consumer Price Index1 (CPI) was used to adjust the unit cost for each cost element.

The unit cost of the various costs elements relating to rehabilitation and closure were adjusted using the Civil Engineering (Earthworks) Index2.

In certain cases, a specific amendment to unit costs (different from the above two indices) is made based on newer information, new technology being used or changes in closure requirements. In 2015, such changes were made to the unit costs of:

- License for closure application
- Basic assessment
- End-use plan
- Geosynthetics alternative
- Gas drainage layer
- Additional capping for impact
- Water monitoring

**CPI**

The CPI was used for the annual adjustment of unit costs as well as for determining the future value of current costs in the year when the cost is projected to be incurred. The average of the CPI for April to June 2015 amounted to 4.5993%.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 15. Provisions (continued)

**Discount rate**

GRAP 19 states that where the effect of the time value of money is material, the amount of the provision shall be the present value of the expenditures expected to be required to settle the obligation. In view of the long operational life of landfills, the time value of money is considered material. GRAP 19 prescribes that the discount rate shall be the pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability. Normally corporate bond rates are used to determine the discount rate. In line with GRAP 25 Defined benefit plans, government bond rates may also be used to determine the discount rate. Where the liability in this case is determined for a government entity (municipality), government bond rates are considered a more appropriate indicator of the risk associated with the entity than corporate bond rates to determine the discount rate. The government bond rate most consistent with the estimated term of the liability should be used. As inflation-linked RSA retail bond rates have longer terms than fixed RSA retail bond rates, inflation-linked rates are used3. The rate most consistent with the remaining life of the landfill published on 30 June 2015 was used. For all these landfills the rate associated with the maximum period of 10 years was used, i.e. 1.75% above CPI.

### 16. Payables from exchange transactions

| | | |
|---|---|---|
| 13th Cheque Provision | 3,365,192 | 2,591,127 |
| Deposits received | 125,968 | 120,631 |
| Employee related accruals | 1,663,584 | 1,779,809 |
| Leave pay accrual | 11,676,145 | 10,670,501 |
| Other Creditors | 8,713,097 | 7,271,132 |
| Payments received in advanced - Debtors | 9,515,126 | 5,490,186 |
| Retentions and Guarantees held | 3,302,939 | 3,222,032 |
| Third Party Accruals | 1,919,478 | 1,761,729 |
| Trade and other creditors | 394,256,769 | 291,974,196 |
| Trade payables | 38,300,477 | 717,330 |
| Unallocated receipts | 3,915,657 | 8,674,089 |
| | **476,754,443** | **334,272,769** |

**Fair value of trade and other payables**

| | | |
|---|---|---|
| Trade payables | 476,754,442 | 334,272,769 |
| | **476,754,442** | **334,272,769** |

### 17. Consumer deposits

| | | |
|---|---|---|
| Deposits held from Consumer Debtors | 10,688,167 | 9,374,414 |
| | **10,688,167** | **9,374,414** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 18. Revenue

| | | |
|---|---|---|
| Service charges | 231,626,914 | 213,409,862 |
| Rental of facilities and equipment | 2,101,040 | 1,807,412 |
| Income from agency services | 10,196,635 | 9,352,790 |
| Other income | 11,252,791 | 7,415,280 |
| Interest received | 21,320,790 | 12,511,436 |
| Property rates | 66,148,543 | 61,842,042 |
| Government grants and subsidies | 166,595,135 | 168,055,316 |
| Fines | 5,868,569 | 2,604,870 |
| | **515,110,417** | **476,999,008** |

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

| | | |
|---|---|---|
| Service charges | 231,626,914 | 213,409,862 |
| Rental of facilities and equipment | 2,101,040 | 1,807,412 |
| Agency services | 10,196,635 | 9,352,790 |
| Other income | 11,252,791 | 7,415,280 |
| Interest received | 21,320,790 | 12,511,436 |
| | **276,498,170** | **244,496,780** |

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

| | | |
|---|---|---|
| **Taxation revenue** | | |
| Property rates | 66,148,543 | 61,842,042 |
| **Transfer revenue** | | |
| Government grants & subsidies | 166,595,135 | 168,055,316 |
| Fines | 5,868,569 | 2,604,870 |
| | **238,612,247** | **232,502,228** |

**Basis on which fair value of inflowing resources was measured**

**Transfers**

Fines

Fines issued in terms of the Criminal Procedures Act are usually issued by way of notice to offenders, and can (a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or (b) indicate that the offender must appear in Court on a specified date (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process). In 2012, the ASB revised IGRAP 1 Applying the Probability Test on the Initial Recognition of Revenue to include revenue from non-exchange transactions. This amendment is applicable to municipalities from 1 July 2013. IGRAP 1 indicates that entities should not consider the probability of non-payment on the initial recognition of revenue. This should be considered as a subsequent event when assessing impairment.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 19. Service charges

| | | |
|---|---|---|
| Sale of electricity | 164,821,163 | 157,120,551 |
| Sale of water | 31,714,827 | 24,464,747 |
| Sewerage and sanitation charges | 19,269,022 | 17,373,963 |
| Refuse removal | 15,821,902 | 14,450,601 |
| | **231,626,914** | **213,409,862** |

## 20. Rental of facilities and equipment

| | | |
|---|---|---|
| **Premises** | | |
| Premises | 1,900,982 | 1,753,996 |
| | **1,900,982** | **1,753,996** |
| **Facilities and equipment** | | |
| Rental of equipment | 200,058 | 53,416 |
| | **200,058** | **53,416** |
| | **2,101,040** | **1,807,412** |

## 21. Other income

| | | |
|---|---|---|
| Administration fees | 321,096 | 346,955 |
| Cementary fees | 364,063 | 333,623 |
| Connection and reconnection fees | 8,229,522 | 4,779,805 |
| Fire Brigade services | 1,020,069 | 363,311 |
| Sundry income | 1,241,409 | 1,294,326 |
| Tender deposits received | 76,632 | 297,260 |
| | **11,252,791** | **7,415,280** |

## 22. Investment revenue

| | | |
|---|---|---|
| **Interest revenue** | | |
| Interest on investments | 880,765 | 563,453 |
| Interest charged on trade and other receivables | 20,440,025 | 11,947,983 |
| | **21,320,790** | **12,511,436** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 23. Property rates

**Rates received**

| | | |
|---|---|---|
| Property rates | 69,928,206 | 65,278,986 |
| Less: Income forgone/ Rebates | (3,779,663) | (3,436,944) |
| | **66,148,543** | **61,842,042** |

**Valuations**

| | | |
|---|---|---|
| Residential | 8,860,180,770 | 8,860,180,770 |
| State | 943,445,880 | 943,445,880 |
| Municipal | 359,778,510 | 359,778,510 |
| Schools | 674,000 | 674,000 |
| Church | 21,866,500 | 21,866,500 |
| Transnet | 72,750,520 | 72,750,520 |
| | **10,258,696,180** | **10,258,696,180** |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2015.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 24. Government grants and subsidies

| | | |
|---|---|---|
| **Operating grants** | | |
| Equitable share | 114,917,000 | 108,953,000 |
| Expanded Public Works Programme Incentive Grant | 1,144,000 | 1,000,000 |
| Finance Management Grant | 1,600,000 | 1,550,000 |
| Local Government Sector Education and Training Authority Grant | 221,733 | 254,685 |
| Municipal System Improvement Grant | 934,000 | 890,000 |
| | **118,816,733** | **112,647,685** |
| **Capital grants** | | |
| Intergrated National Electrification Programme | 11,541,141 | 18,282,429 |
| Municipal Infrastructure Grant | 36,237,261 | 37,125,202 |
| | **47,778,402** | **55,407,631** |
| | **166,595,135** | **168,055,316** |

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

| | | |
|---|---|---|
| Conditional grants received | 47,778,402 | 55,407,631 |
| Unconditional grants received | 118,816,733 | 113,870,419 |
| | **166,595,135** | **169,278,050** |

**Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

**Financial Management Grant**

| | | |
|---|---|---|
| Current-year receipts | 1,600,000 | 1,550,000 |
| Conditions met - transferred to revenue | (1,600,000) | (1,550,000) |
| | **-** | **-** |

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

**Municipal System Improvement Grant**

| | | |
|---|---|---|
| Current-year receipts | 934,000 | 890,000 |
| Conditions met - transferred to revenue | (934,000) | (890,000) |
| | **-** | **-** |

The Municipal Systems Improvement Grant (MSIG) is a conditional grant directed to selected Local and District municipalities. The purpose of the grant is to support municipalities in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act and other related local government policy and legislation so that they can carry mandated functions effectively.

**Sport and Recreation Grant - National Lottery**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 700,000 | 700,000 |
| | **700,000** | **700,000** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

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

The grant has been provided by the National Lottery to fund the refurbishment of the public swimming pool.
The grant has not been utilised as the project costs exceed the available grant funds.

**Expanded Public Works Programme Incentive Grant**

| | | |
|---|---|---|
| Current-year receipts | 1,144,000 | 1,000,000 |
| Conditions met - transferred to revenue | (1,144,000) | (1,000,000) |
| | **-** | **-** |

Incentive paid to public bodies to incentivise work creation. The incentive is paid per quantum of employment created for the EPWP target group and can be measured in person-days of work or full time equivalent jobs.

**Municipal Infrastructure Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 7,311,587 | 5,955,788 |
| Current-year receipts | 43,761,000 | 38,481,000 |
| Conditions met - transferred to revenue | (36,244,271) | (37,125,201) |
| Withheld from Equitable share | (14,316,000) | - |
| | **512,316** | **7,311,587** |

The municipality has outstanding projects relating to Municipal Infrastructure Grant funding which has yet to be completed. The conditions of the project are directly in-line with the DoRA requirements. The Municipality has committed the unspent portion of the Grant to projects.

The Municipal Infrastructure Grant programme is aimed at providing all South Africans with at least a basic level of service by the year 2015 through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. The MIG programme is a key part of government's overall drive to alleviate poverty in the country and, therefore, infrastructure is to be provided in such a way that employment is maximised and opportunities are created for enterprises to flourish.

**Integrated National Electrification Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 3,142,462 | 407,891 |
| Current-year receipts | 10,000,000 | 21,500,000 |
| Conditions met - transferred to revenue | (11,541,141) | (18,765,429) |
| Withheld from Equitable share | (3,500,000) | - |
| Transfer to receivable from non exchange transaction | 1,898,679 | - |
| | **-** | **3,142,462** |

The Neighbourhood Development Programme (NDP) Unit was established in 2006 and is responsible for managing the Neighbourhood Development Partnership Grant (NDPG).

The NDPG is driven by the notion that public investment and funding can be used creatively to attract private and community investment to unlock the social and economic potential in targeted underserved neighbourhoods, generally townships.

This in turn will not only improve the quality of life of residents but also contribute to South Africa’s economic performance.

The purpose of the grant is to therefore fund, support and facilitate the planning and development of neighbourhood development programmes and projects that provide catalytic infrastructure to leverage such third party public and private sector investment for future and more sustainable development.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 25. Employee related costs

| | | |
|---|---|---|
| Basic | 85,402,907 | 81,275,623 |
| Bonus | 774,065 | 324,797 |
| Car allowance | 5,186,603 | 4,261,224 |
| Group Insurance | 1,355,062 | 1,257,489 |
| Leave pay provision charge | 2,882,777 | 3,249,878 |
| Medical aid - company contributions | 9,099,112 | 8,233,879 |
| Other payroll levies | 46,972 | 45,866 |
| Overtime payments | 14,205,502 | 13,373,141 |
| Pension fund | 16,477,513 | 15,523,970 |
| SDL | 1,216,034 | 1,131,171 |
| Travel, motor car, accommodation, subsistence and other allowances | 6,150,178 | 4,891,972 |
| UIF | 835,756 | 814,310 |
| | **143,632,481** | **134,383,320** |

**Remuneration of the Municipal Manager**

| | | |
|---|---|---|
| Annual Remuneration | 946,877 | 806,375 |
| Car Allowance | - | 16,000 |
| Contributions to UIF, Medical and Pension Funds | 10,807 | 28,242 |
| Acting allowance | 250,940 | 292,297 |
| | **1,208,624** | **1,142,914** |

The Municipal Manager Mr. Z.T. Shongwe was appointed on the 1 September 2014.

**Remuneration of the Chief Financial Officer**

| | | |
|---|---|---|
| Annual Remuneration | - | 257,944 |
| Car Allowance | - | 18,000 |
| Contributions to UIF, Medical and Pension Funds | - | 11,149 |
| | **-** | **287,093** |

The Chief Financial Officer resigned on the 30th of September 2013, this post has been vacant since.

**Remuneration of the General manager - Public Safety**

| | | |
|---|---|---|
| Annual Remuneration | 736,253 | 651,521 |
| Travel, motor car, accommodation, subsistence and other allowances | 60,000 | 60,000 |
| Contributions to UIF, SDL, Medical and Pension Funds | 69,658 | 63,221 |
| | **865,911** | **774,742** |

The General Manager for Public Safety Mr. D.I. Maluleke served for the full period up to 30 June 2015.

**Remuneration of the General manager - Corporate Services**

| | | |
|---|---|---|
| Annual Remuneration | 482,431 | 440,475 |
| Travel, motor car, accommodation, subsistence and other allowances | 148,045 | 148,045 |
| Contributions to UIF, SDL, Medical and Pension Funds | 202,151 | 184,581 |
| | **832,627** | **773,101** |

The General Manager for Corporate services Mr. N.L. Maimela served for the full period up to 30 June 2015.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 25. Employee related costs (continued)

**Remuneration of the General manager - Community and Health**

| | | |
|---|---|---|
| Annual Remuneration | 525,740 | 353,927 |
| Travel, motor car, accommodation, subsistence and other allowances | 143,000 | - |
| Contributions to UIF, SDL, Medical and Pension Funds | 173,943 | 97,113 |
| | **842,683** | **451,040** |

The General Manager for Community and Health Mr. B.C. Sibeko served for the full period up to 30 June 2015.

**Remuneration of the General manager - Technical Services**

| | | |
|---|---|---|
| Annual Remuneration | 499,917 | 265,370 |
| Travel, motor car, accommodation, subsistence and other allowances | 180,000 | 105,000 |
| Contributions to UIF, SDL, Medical and Pension Funds | 167,675 | 85,671 |
| | **847,592** | **456,041** |

The General Manager for Technical services Mr. S.R. Magudulela served for the full period up to 30 June 2015.

## 26. Remuneration of councillors

| | | |
|---|---|---|
| Executive Major | 770,497 | 724,669 |
| Executive Committe councillors | 1,751,970 | 1,646,157 |
| Speaker | 621,290 | 583,908 |
| Councillors | 8,484,615 | 7,773,063 |
| | **11,628,372** | **10,727,797** |

## 27. Depreciation

| | | |
|---|---|---|
| Property, plant and equipment | 78,277,737 | 77,868,587 |
| Investment property | 2,380,926 | 2,380,926 |
| | **80,658,663** | **80,249,513** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 28. Impairment of assets

| | | |
|---|---|---|
| **Impairments** | | |
| Property, plant and equipment | - | 1,578,945 |
| Motor vehicles were identified which had not economical return for the municipality. | | |
| Other receivables from non-exchange revenue | 3,976,972 | 1,040,520 |
| An amendedment to IGRAP 1, require the Msukaligwa Local Municipality to account for Traffic Fine Income on the accrual basis. | | |
| The Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) (GRAP 23), requires that revenue is recognised when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured. | | |
| IGRAP 1 clarifies that an entity should recognise the full amount of revenue at the transaction date when there is uncertainty about the entity's ability to collect such revenue based on past history, as the entity has an obligation to collect all revenue due to it. | | |
| Entities should not consider or assess the probability of collecting revenue at the transaction date because this is a subsequent measurement event. Subsequent to initial recognition and measurement, an entity should assess the collectability of the revenue and recognise an impairment loss where appropriate. | | |
| The municipality therefore accounted for each fine issued on the accural basis, however the probabilty was assessed and it was found that the current year cash received from fines related to less than 12% of fines issued. Therefore the receivable created was impaired in full. | | |
| Receivables from non-exchange revenue | 1,898,679 | - |
| Conditions not met on Integrated National Electrification Grant, funds were withheld. | | |
| | **5,875,651** | **2,619,465** |

## 29. Finance costs

| | | |
|---|---|---|
| Current borrowings | - | 2,300 |
| Employee benefit obligation | 3,578,000 | - |
| Environmental rehabilitation | 548,877 | 539,843 |
| Finance leases | 236,475 | 496,102 |
| Trade and other payables | 13,099,510 | 6,977,273 |
| | **17,462,862** | **8,015,518** |

## 30. Debt impairment

| | | |
|---|---|---|
| Contributions to debt impairment provision | 16,241,500 | 13,279,038 |
| Bad debts written off | 24,870,195 | 19,171,139 |
| | **41,111,695** | **32,450,177** |

## 31. Bulk purchases

| | | |
|---|---|---|
| Electricity | 169,284,344 | 133,704,749 |
| Water | 47,610,098 | 67,914,827 |
| | **216,894,442** | **201,619,576** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 32. Contracted services

| | | |
|---|---|---|
| Information Technology Services | 8,191,080 | 6,803,554 |
| Electricity Vending Services | 2,979,317 | 2,470,296 |
| Operating Leases | 66,041 | 68,656 |
| Other Contractors | 36,608,114 | 21,564,357 |
| | **47,844,552** | **30,906,863** |

### 33. General expenses

| | | |
|---|---|---|
| Advertising | 206,900 | 387,247 |
| Auditors remuneration | 4,338,422 | 3,170,259 |
| Bank charges | 1,139,701 | 829,341 |
| Chemicals | 3,191,395 | 2,593,891 |
| Cleaning | 181,198 | 211,881 |
| Commission paid | 21,217 | 3,557 |
| Community development and training | 2,158,874 | 2,217,318 |
| Conferences and seminars | 1,089,269 | 1,425,946 |
| Consulting and professional fees | - | 8,775 |
| Consumables | 238,461 | 263,591 |
| Discount allowed | 803,755 | - |
| Donations | - | 800 |
| Electricity | 3,450,576 | 4,792,910 |
| Entertainment | 75,022 | 53,933 |
| Fuel and oil | 468,470 | 411,478 |
| IT expenses | 853 | 6,157 |
| Insurance | 1,900,745 | 1,550,807 |
| Magazines, books and periodicals | 4,272 | 46,565 |
| Medical expenses | 8,724 | 9,110 |
| Motor vehicle expenses | 4,964,991 | 5,972,258 |
| Other expenses | 1,436,699 | 1,234,746 |
| Postage and courier | 908,661 | 883,665 |
| Printing and stationery | 1,715,496 | 1,814,272 |
| Project maintenance costs | 7,273 | 12,019 |
| Promotions | 24,640 | 49,374 |
| Refuse | 20,384 | 614 |
| Research and development costs | - | 163,466 |
| Security | 15,702,171 | 13,248,311 |
| Staff welfare | 17,789 | 39,925 |
| Subscriptions and membership fees | 1,450,301 | 1,538,592 |
| Telephone and fax | 1,093,490 | 857,442 |
| Title deed search fees | 22,300 | 34,466 |
| Uniforms | 512,575 | 663,406 |
| Water | 140,548 | 378,451 |
| | **47,295,172** | **44,874,573** |

### 34. Auditors' remuneration

| | | |
|---|---|---|
| Fees | 4,338,422 | 3,170,259 |
| | **4,338,422** | **3,170,259** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 35. Operating deficit

Operating deficit for the year is stated after accounting for the following:

| | | |
|---|---|---|
| **Operating lease charges** | | |
| Equipment | | |
| • Contingent amounts | 1,355,397 | 936,085 |
| Plant and equipment | | |
| • Contingent amounts | 633,370 | 2,493,053 |
| | **1,988,767** | **3,429,138** |

| | | |
|---|---|---|
| Gain/(loss) on sale of property, plant and equipment | 1,286,751 | (616,971) |
| Impairment on property, plant and equipment | - | 1,578,945 |
| Impairment on trade and other receivables | 3,976,972 | 1,040,520 |
| Impairment of other receivables from non-exchange transactions | 1,898,679 | - |
| Depreciation on property, plant and equipment | 78,277,737 | 77,868,587 |
| Depreciation on investment property | 2,380,926 | 2,380,926 |
| Employee costs | 159,858,290 | 148,996,048 |
| Research and development | - | 163,466 |

## 36. Cash generated from operations

| | | |
|---|---|---|
| Deficit | (127,695,293) | (109,812,846) |
| **Adjustments for:** | | |
| Depreciation | 80,658,663 | 80,249,513 |
| (Loss)/gain on sale of assets and liabilities | (1,286,751) | 616,971 |
| Finance costs - Finance leases | 236,475 | 496,102 |
| Impairment deficit | 5,875,651 | 2,619,465 |
| Debt impairment | 41,111,695 | 32,450,177 |
| Movements in retirement benefit assets and liabilities | (1,288,367) | 1,513,000 |
| Movements in provisions | 548,877 | 539,843 |
| **Changes in working capital:** | | |
| Inventories | (4,290,363) | 4,214,799 |
| Receivables from exchange transactions | (2,737,205) | 540,529 |
| Consumer debtors | (49,283,977) | (36,630,940) |
| Other receivables from non-exchange transactions | (11,462,501) | 499,599 |
| Payables from exchange transactions | 142,481,670 | 47,237,216 |
| VAT | (12,183,628) | 137,759 |
| Unspent conditional grants and receipts | (9,941,733) | 4,809,478 |
| Consumer deposits | 1,313,753 | 1,426,089 |
| | **52,056,966** | **30,906,754** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 37. Financial instruments disclosure

### Categories of financial instruments

**2015**

**Financial assets**

| | At fair value | At amortised cost | Total |
|---|---|---|---|
| Trade and other receivables from exchange transactions | - | 10,605,214 | 10,605,214 |
| Other receivables from non-exchange transactions | - | 9,563,822 | 9,563,822 |
| Consumer debtors | - | 42,687,200 | 42,687,200 |
| Cash and cash equivalents | 29,958,706 | - | 29,958,706 |
| | **29,958,706** | **62,856,236** | **92,814,942** |

**Financial liabilities**

| | At fair value | At amortised cost | Total |
|---|---|---|---|
| Trade and other payables from exchange transactions | - | 476,754,442 | 476,754,442 |
| Consumer Deposits | - | 10,688,167 | 10,688,167 |
| Unspent conditional grants | 1,212,316 | - | 1,212,316 |
| | **1,212,316** | **487,442,609** | **488,654,925** |

**2014**

**Financial assets**

| | At fair value | At amortised cost | Total |
|---|---|---|---|
| Trade and other receivables from exchange transactions | - | 11,844,981 | 11,844,981 |
| Consumer debtors | - | 34,514,918 | 34,514,918 |
| Cash and cash equivalents | 489,616 | - | 489,616 |
| | **489,616** | **46,359,899** | **46,849,515** |

**Financial liabilities**

| | At fair value | At amortised cost | Total |
|---|---|---|---|
| Trade and other payables from exchange transactions | - | 334,272,769 | 334,272,769 |
| Consumer Deposits | - | 9,374,414 | 9,374,414 |
| Unspent conditional grants and receipts | 11,154,049 | - | 11,154,049 |
| | **11,154,049** | **343,647,183** | **354,801,232** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 38. Commitments

**Authorised capital expenditure**

| | | |
|---|---|---|
| **Already contracted for but not provided for** | | |
| • Capital | - | 8,682,675 |
| • Operating expenditure | - | 16,522,347 |
| | **-** | **25,205,022** |

| | | |
|---|---|---|
| **Not yet contracted for and authorised by accounting officer** | | |
| • Property, plant and equipment | 10,563,408 | 6,049,796 |
| | **10,563,408** | **6,049,796** |

| | | |
|---|---|---|
| **Total capital commitments** | | |
| Already contracted for but not provided for | - | 25,205,022 |
| Not yet contracted for and authorised by accounting officer | 10,563,408 | 6,049,796 |
| | **10,563,408** | **31,254,818** |

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 39. Contingencies

The Municipality has the following Legal cases pending which could result in possible outflow of economic resources:

| No. | Description/ Citation of parties | Nature of details of Case | Attorney dealing with the matter for the Municipality | Citation at court | Potential Liability | Current Status |
|---|---|---|---|---|---|---|
| 1 | **NEWCHO vs Msukaligwa local municipality** | This issue involves land that was earmarked for development but was later disposed of or allocated in a manner which was not in line with the development. NEWCHO as the developer is intending to sue the Municipality for damages. | TMN Kgomo and Associates | The New Housing Company Plaintiff v/s Msukaligwa Municipality | R 6,483,579.20 | The plaintiff has issued summons and the Municipality is defending the matter. |
| 2 | **SIDAS vs Msukaligwa local municipality** | This arises from the alleged breach of contract in that the service provider was awarded the contract which was later awarded to another service provider. SIDAS is suing the Municipality for the future loss of income. | No appointment has been made at reporting date | Sidas Security Services v/s Msukaligwa Municipality | R 34,323,686.10 | This matter is at the pleading stage. |
| 3 | **J.J Meyer vs Msukaligwa local municipality** | An Employee of the Municipality was electrocuted while on duty. He is claiming damages alleging that he was injured as a result of the sole negligence of the Municipality. | TMN Kgomo and Associates | J J Meyer v/s Msukaligwa Municipality | R 1,220,500.00 | This matter is at the pleadings stage and is pending in the High Court. |
| 4 | **MR MLOTSHWA** | A tractor belonging to the Municipality collided with the vehicle. It is alleged that the accident was caused by the sole negligence of the driver of the tractor of the Municipality. | No appointment has been made at reporting date | Mlotshwa v/s Msukaligwa Municipality | R 28,720.13 | This matter is at the pleading stage. |
| 5 | **AfriForum vs Msukaligwa local municipality** | Action was taken by AfriForum to lay criminal charges against the MM for the contravention of the Water Services Act. ( Criminal case) | No appointment has been made at reporting date | AfriForum vs MM | Unknown at reporting stage | The case is still with the NPA for a decision whether or not to prosecute. |

| Figures in Rand | | | | | | 2015 | 2014 |
|---|---|---|---|---|---|---|---|
| **39. Contingencies (continued)** | | | | | | | |
| **6** | **Enzo Contractors(Pty)Ltd vs Msukaligwa local municipality** | Action was taken by Enzo Contractors (Pty) Ltd against the municipality and two other parties for payment of costs incurred for the registration and licensing of its rough terrain crane. The Municipality have obtained a rescission order dated 2 August 2011 and filed a plea in the main action | Gildenhuys Malatji Inc | Enzo Contractors v/s Msukaligwa Municipality | R | 145,109.00 | The matter has not been set down for a trial date,still awaiting trail date. |
| **7** | **MTJ Koekemoer vs Msukaligwa local municipality** | Legal action was taken by MTJ Koekemoer against the municipality for payment of damages incurred due to an unmarked speed bump. The matter has not been set down for a trial date and has entered the plea stage. | Gildenhuys Malatji Inc | MTJ Koekemoer v/s Msukaligwa Municipality | R | 500,000.00 | The trail date is 13 March 2016 |
| **8** | **Limphoto Housing vs Msukaligwa local municipality** | Legal action was taken by Limphoto Housing against the municipality for the unlawfull disconnection of the electricity. | Sefalafala Attorneys | Limphoto Housing v/s Msukaligwa | R | 350,000.00 | The matter has not been set down for a trial date,still awaiting trail date. |
| **9** | **CM Mango vs Msukaligwa local municipality** | Action was taken by CM Mango against the municipality for the payment of damages incurred due to failure to barricade a hole and heap of soil on a construction site of the municipality. | TMN Kgomo and Associates | C M Mango v/s Msukaligwa Municipality | R | 190,000.00 | This matter is at the pleading stage. |
| **10** | **GW Heinz vs Msukaligwa local municipality** | Action was taken by GW Heinz against the municipality for the payment of an arbitration award on order of the court amounting to R500 000. The municipality have applied for review of the arbitration award granted in favour of GW Heinz amounting to. The pleading in this matter have been closed and a trial date have been applied for, the matter has not been set down for a trial date. | Sefalafala Attorneys | G W Heinz v/s Msukaligwa Municipality | R | 1,500,000.00 | The award was received in favour of the Municipality, however the Employee is appealing the judgment of the Labour Court. |

## Notes to the Audited Annual Financial Statements

| Figures in Rand | | | | | | 2015 | 2014 |
|---|---|---|---|---|---|---|---|
| **39. Contingencies (continued)** | | | | | | | |
| **11** | **SAMWU on behalf of Hlophe vs Msukaligwa local municipality** | Action was taken by SAMWU on behalf of Hlophe and others against the municipality for losses due to unlawful variation of the terms of the employment. The municipality is opposing the claims and pleadings are currently still exchanged, the matter has not been set down for a trial date. | Sefalafala Attorneys | SAMWU obo Hlophe and others v/s Msukaligwa Municipality | R | 800,000.00 | The matter has not been set down for a trial date,still awaiting trail date. |
| **12** | **DP Sibeko & PV Dludlu vs Msukaligwa local municipality** | Employees were charged with misconduct. The employees were dismissed, but the employees raised an appeal, which was won by the employees. The employees were supposed to be re-instated in January 2013, but they were never paid from January 2013. DP Sibeko & PV Dludlu | Gildenhuys Malatji Attorneys | DP Sibeko & P V Dludlu v/s Msukaligwa Municipality | | R 100,000.00 | The trail date is 13 August 2015 |
| **13** | **Resident of Ermelo vs Msukaligwa local municipality** | In this matter the shack of one of the residents was demolished by the Red Ants and the Plaintiff is suing the ward Councillor because the ward Councillor allegedly assured her that the eviction will be stopped | Mohlala Attorneys | Lukhele v/s Msukaligwa Municipality and Cllr M J Mhlanga | R | 62,161.41 | This matter is at the pleading stage. |
| **14** | **WARM AUTUM INVESTEMENTSvs Msukaligwa local municipality** | In this matter the Municipality is being sued as a result of the intended development in Reitspruit on the allegations that the sale of the land was not done in a proper way. Furthermore that the Township Establishment processes was not done properly because the objections thereto were not attended. | TMN Kgomo and Associates | Warm Autum Investment v/s Msukaligwa Municipality | | Unknown at reporting stage | This matter is at the pleading stage. |

List of Legal Firms, Advocates & Attorneys that assisted Msukaligwa Local Municipality in the year:

- Noltes Attorney
- Gildenhuys Malatji Attorneys
- TMN Kgomo & Associates
- Sefalafala Attorneys
- Mohlala Attorneys

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 40. Related parties

**Relationships**

| | |
|---|---|
| Accounting Officer | Mr. Z.T. Shongwe |
| Members of key management | Cllr. M.P. Nkosi |
| | Cllr. E.C. Msezane |
| | Cllr. M.C. Lukhele |
| | Cllr. B.N.N. Ndlovu |
| | Cllr. F.J. Mabasa |
| | Cllr. T.T. Malaza |
| | Cllr. Z. Breydenbach |
| | Cllr. H.F. Swart |
| | Cllr. M.J. Mhlanga |
| | Cllr. D.S. Nkosi |
| | Cllr. L.P. Mnisi |
| | Cllr. K.H. Dladla |
| | Cllr. Z.C. Dhludhlu |
| | Cllr. S.J. Msibi |
| | Cllr. S.L. Jele |
| | Cllr. Z.J. Nkosi |
| | Cllr. B.I. Sibiya |
| | Cllr. S.E. Vilakazi |
| | Cllr. P.T. Sibeko |
| | Cllr. G.S. Greyling |
| | Cllr. P.B. Maseko |
| | Cllr. P.E. Mashiane |
| | Cllr. D. Mabunda |
| | Cllr. V.C.N. Madini |
| | Cllr. G.T. Msimango |
| | Cllr. B.R. Ngwenya |
| | Cllr. T.C. ngwenya |
| | Cllr. S.J. Nkosi |
| | Cllr. P.B. Nkosi |
| | Cllr. B.S. Puwani |
| | Cllr. J.H. Sibanyoni |
| | Cllr. S.C. Mathebula |
| | Cllr. J.D.A. Blignaut |
| | Cllr. B.I. Mabuza |
| | Cllr. N.G. Mashinini |
| | Cllr. J.S. Bongwe |
| | Cllr. B.M. Buthelezi |
| | Cllr. D.J. Litau |

**Related party balances**

**Amounts included in Trade Payable regarding related parties**

| | | |
|---|---|---|
| Councillors | - | (56,281) |

**Key management information**

| | | |
|---|---|---|
| Mayor | Cllr. J.S. Bongwe | 1 |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**40. Related parties (continued)**

| | | |
|---|---|---|
| Councillors | Cllr. M.P. Nkosi | 37 |
| | Cllr. E.C. Msezane | |
| | Cllr. M.C. Lukhele | |
| | Cllr. B.N.N. Ndlovu | |
| | Cllr. F.J. Mabasa | |
| | Cllr. T.T. Malaza | |
| | Cllr. Z. Breydenbach | |
| | Cllr. H.F. Swart | |
| | Cllr. M.J. Mhlanga | |
| | Cllr. D.S. Nkosi | |
| | Cllr. L.P. Mnisi | |
| | Cllr. K.H. Dladla | |
| | Cllr. Z.C. Dhludhlu | |
| | Cllr. S.J. Msibi | |
| | Cllr. S.L. Jele | |
| | Cllr. Z.J. Nkosi | |
| | Cllr. B.I. Sibiya | |
| | Cllr. S.E. Vilakazi | |
| | Cllr. P.T. Sibeko | |
| | Cllr. G.S. Greyling | |
| | Cllr. P.B. Maseko | |
| | Cllr. P.E. Mashiane | |
| | Cllr. D. Mabunda | |
| | Cllr. V.C.N. Madini | |
| | Cllr. G.T. Msimango | |
| | Cllr. B.R. Ngwenya | |
| | Cllr. T.C. ngwenya | |
| | Cllr. S.J. Nkosi | |
| | Cllr. P.B. Nkosi | |
| | Cllr. B.S. Puwani | |
| | Cllr. J.H. Sibanyoni | |
| | Cllr. S.C. Mathebula | |
| | Cllr. J.D.A. Blignaut | |
| | Cllr. B.I. Mabuza | |
| | Cllr. N.G. Mashinini | |
| | Cllr. B.M. Buthelezi | |
| | Cllr. D.J. Litau | |
| Municipal Managers | Mr. Z.T. Shongwe | 1 |

**Councillor Salaries Disclosure**

| **Executive Mayor** | **2015** | **2014** |
|---|---|---|
| **Remuneration of Councillor: J S BONGWE** | | |
| Annual Remuneration | 486,540.63 | 459,001.00 |
| Travel Allowance | 186,507.25 | 175,950.00 |
| Contributions to Medical and Pension Funds | 72,981.12 | 68,850.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **770,497.00** | **724,669.00** |
| **Total Executive Mayor remuneration** | **770,497.00** | **724,669.00** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**40. Related parties (continued)**
**Executive Committee**

| | | |
|---|---|---|
| **Remuneration of Councillor: V C N MADINI** | | |
| Annual Remuneration | 349,879.52 | 329,224.00 |
| Travel Allowance | 139,880.51 | 131,963.00 |
| Contributions to Medical and Pension Funds | 69,761.97 | 66,664.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **583,990.00** | **548,719.00** |
| | | |
| **Remuneration of Councillor: N G MASHININI** | | |
| Annual Remuneration | 349,879.52 | 329,224.00 |
| Travel Allowance | 139,880.51 | 131,963.00 |
| Contributions to Medical and Pension Funds | 69,761.97 | 66,664.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **583,990.00** | **548,719.00** |
| | | |
| **Remuneration of Councillor: M P NKOSI** | | |
| Annual Remuneration | 357,391.81 | 344,251.00 |
| Travel Allowance | 139,881.42 | 131,963.00 |
| Contributions to Medical and Pension Funds | 62,248.77 | 51,637.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **583,990.00** | **548,719.00** |
| | | - |
| **Total Executive Committee remuneration** | **1,751,970.00** | **1,646,157.00** |
| | | |
| **Speaker** | | |
| | | |
| **Remuneration of Councillor: B M BUTHELEZI** | | |
| Annual Remuneration | 374,205.70 | 352,174.00 |
| Travel Allowance | 149,205.48 | 140,760.00 |
| Contributions to Medical and Pension Funds | 73,410.82 | 70,106.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **621,290.00** | **583,908.00** |
| | | |
| **Total Speaker remuneration** | | |
| | | |
| **Council members** | | |
| | | |
| **Remuneration of Councillor: Z BREYDENBACH** | | |
| Annual Remuneration | 145,961.73 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: Z C DHLUDHLU** | | |
| Annual Remuneration | 145,961.73 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: K H DLADLA** | | |
| Annual Remuneration | 145,961.76 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.03** | **232,008.00** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**40. Related parties (continued)**

| | | |
|---|---|---|
| **Remuneration of Councillor: G S GREYLING** | | |
| Annual Remuneration | 145,961.73 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: S L JELE** | | |
| Annual Remuneration | 129,564.58 | 137,700.00 |
| Travel Allowance | 51,289.34 | 52,785.00 |
| Contributions to Medical and Pension Funds | 19,434.69 | 20,655.00 |
| Cell phone Allowance | 22,429.00 | 20,868.00 |
| **Total remuneration** | **222,717.61** | **232,008.00** |
| | | |
| **Remuneration of Councillor: M J MHLANGA** | | |
| Annual Remuneration | 145,961.73 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: B P MASEKO** | | |
| Annual Remuneration | 145,961.73 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: S P E MASHIANE** | | |
| Annual Remuneration | 145,961.73 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: L P MNISI** | | |
| Annual Remuneration | 145,961.73 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: F J MABASA** | | |
| Annual Remuneration | 145,961.73 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: S D MABUNDA** | | |
| Annual Remuneration | 145,961.73 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**40. Related parties (continued)**

| | | |
|---|---|---|
| **Remuneration of Councillor: T G MSIMANGO** | | |
| Annual Remuneration | 145,961.73 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: B R NGWENYA** | | |
| Annual Remuneration | 178,552.86 | 122,674.00 |
| Travel Allowance | 71,805.24 | 52,785.00 |
| Contributions to Medical and Pension Funds | 36,862.90 | 35,681.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **311,689.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: S E C MSEZANE** | | |
| Annual Remuneration | 187,318.05 | 137,700.00 |
| Travel Allowance | 71,805.24 | 52,785.00 |
| Contributions to Medical and Pension Funds | 28,097.71 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **311,689.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: S J MSIBI** | | |
| Annual Remuneration | 145,961.73 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: T C NGWENYA** | | |
| Annual Remuneration | 187,318.05 | 137,700.00 |
| Travel Allowance | 71,805.24 | 52,785.00 |
| Contributions to Medical and Pension Funds | 28,097.71 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **311,689.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: S J NKOSI** | | |
| Annual Remuneration | 145,961.76 | 137,700.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.06** | **232,008.00** |
| | | |
| **Remuneration of Councillor: P B NKOSI** | | |
| Annual Remuneration | 145,961.76 | 137,700.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.06** | **232,008.00** |
| | | |
| **Remuneration of Councillor: Z J NKOSI** | | |
| Annual Remuneration | 145,961.75 | 137,700.00 |
| Travel Allowance | 55,952.01 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.26 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.02** | **232,008.00** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**40. Related parties (continued)**

| | | |
|---|---|---|
| **Remuneration of Councillor: B I SIBIYA** | | |
| Annual Remuneration | 187,318.01 | 213,873.12 |
| Travel Allowance | 71,805.25 | 81,984.75 |
| Contributions to Medical and Pension Funds | 28,097.74 | 32,081.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **311,689.00** | **348,806.87** |
| | | |
| **Remuneration of Councillor: B S PUWANI** | | |
| Annual Remuneration | 130,935.65 | 122,674.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 36,920.31 | 35,681.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: J H SIBANYONI** | | |
| Annual Remuneration | 145,961.71 | 137,700.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.25 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: S E VILAKAZI** | | |
| Annual Remuneration | 130,935.65 | 122,674.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 36,920.31 | 35,681.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: S C MATHEBULA** | | |
| Annual Remuneration | 145,961.71 | 137,700.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.25 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: J D A BLIGNAUT** | | |
| Annual Remuneration | 130,935.65 | 122,674.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 36,920.31 | 35,681.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: B I MABUZA** | | |
| Annual Remuneration | 145,961.71 | 137,700.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.25 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: H F SWART** | | |
| Annual Remuneration | 145,961.71 | 137,700.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.25 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |

## Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**40. Related parties (continued)**

| | | |
|---|---|---|
| **Remuneration of Councillor: S T T MALAZA** | | |
| Annual Remuneration | 145,961.71 | 137,700.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.25 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: P T SIBEKO** | | |
| Annual Remuneration | 187,318.05 | 128,935.00 |
| Travel Allowance | 71,805.24 | 52,785.00 |
| Contributions to Medical and Pension Funds | 28,097.71 | 29,420.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **311,689.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: B N N NDLOVU** | | |
| Annual Remuneration | 130,935.65 | 122,674.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 36,920.31 | 35,681.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: D S NKOSI** | | |
| Annual Remuneration | 145,961.71 | 137,700.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 21,894.25 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: DJ LITAU** | | |
| Annual Remuneration | 138,448.67 | 137,700.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 29,407.29 | 20,655.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Remuneration of Councillor: MC LUKHELE** | | |
| Annual Remuneration | 131,605.55 | 130,857.00 |
| Travel Allowance | 55,952.04 | 52,785.00 |
| Contributions to Medical and Pension Funds | 36,250.41 | 27,498.00 |
| Cell phone Allowance | 24,468.00 | 20,868.00 |
| **Total remuneration** | **248,276.00** | **232,008.00** |
| | | |
| **Total Council remuneration** | **8,484,614.78** | **7,773,062.87** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 41. Prior period errors

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

| Statement of Financial Position | 2014 Restated | 2014 Audited | Difference | Reason |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current Assets** | | | | |
| Cash and cash equivalents | 489,616.00 | 489,616.00 | - | |
| Consumer debtors | 34,514,918.00 | - | (34,514,918.00) | Error |
| Inventories | 3,643,978.00 | 3,643,978.00 | - | |
| Other financial assets | - | - | - | |
| Receivables from exchange transactions | 11,844,981.00 | 58,199,338.00 | 46,354,357.00 | Error |
| Other Receivables from exchange transactions | - | 5,619,060.00 | 5,619,060.00 | Error |
| Receivables from non-exchange transactions | - | 31,217,302.00 | 31,217,302.00 | Error |
| VAT receivable/(Payable) | 13,081,002.00 | 17,601,822.00 | 4,520,820.00 | Error |
| **Total current assets** | **63,574,495.00** | **116,771,116.00** | **53,196,621.00** | |
| **Non-Current Assets** | | | | |
| Heritage assets | 1,069,102.00 | 1,129,628.00 | 60,526.00 | |
| Intangible assets | - | 25,263.00 | 25,263.00 | Error |
| Investment property | 58,478,515.00 | - | (58,478,515.00) | Error |
| Property, plant and equipment | 1,826,207,341.00 | 1,524,281,382.00 | (301,925,959.00) | Error |
| Other financial assets | - | - | - | |
| **Total Non-current assets** | **1,885,754,958.00** | **1,525,436,273.00** | **(360,318,685.00)** | |
| **Total Assets** | **1,949,329,453.00** | **1,642,207,389.00** | **(307,122,064.00)** | |

| Liabilities | 2014 Restated | 2014 Audited | Difference | Reason |
|---|---|---|---|---|
| **Current Liabilities** | | | | |
| Consumer deposits | 9,374,414.00 | 9,374,414.00 | - | |
| Provisions | 548,877.00 | - | (548,877.00) | Error |
| Finance lease obligation | 2,247,971.00 | 2,247,971.00 | - | |
| Employee benefit obligation | 5,021,000.00 | 5,021,000.00 | - | |
| Payables from exchange transactions | 334,272,769.00 | 340,274,031.00 | 6,001,262.00 | Error |
| Unspent conditional grants and receipts | 11,154,049.00 | 26,705,403.00 | 15,551,354.00 | Error |
| **Total Current liabilities** | **362,619,080.00** | **383,622,819.00** | **21,003,739.00** | |
| **Non-Current Liabilities** | | | | |
| Other financial liabilities | - | - | - | |
| Finance lease obligation | 1,789,038.00 | 1,788,534.00 | (504.00) | Error |
| Employee benefit obligation | 36,703,000.00 | 36,703,000.00 | - | |
| Provisions | 32,258,058.00 | 31,669,991.00 | (588,067.00) | Error |
| **Total Non-Current Liabilities** | **70,750,096.00** | **70,161,525.00** | **(588,571.00)** | |
| **Total Liabilities** | **433,369,176.00** | **453,784,344.00** | **20,415,168.00** | |
| **Net Assets** | | | | |
| Accumulated surplus | 1,515,960,277.00 | 1,188,423,045.00 | (327,537,232.00) | Error |
| **Total Net Assets** | **1,515,960,277.00** | **1,188,423,045.00** | **(327,537,232.00)** | |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**41. Prior period errors (continued)**

| **Statement of Financial Performance** | **2014 Restated** | **2014 Audited** | **Difference** | **Reason** |
|---|---|---|---|---|
| **Revenue** | | | | |
| **Revenue from exchange transactions** | | | | |
| Service charges | 213,808,718.00 | 245,843,607.00 | 32,034,889.00 | Error |
| Income from agency services | 9,352,790.00 | 6,511,811.00 | (2,840,979.00) | Error |
| Licences and permits | - | 3,116,605.00 | 3,116,605.00 | Error |
| Rental of facilities and equipment | 1,807,412.00 | 1,816,339.00 | 8,927.00 | Error |
| Other income | 7,415,280.00 | 1,002,824.00 | (6,412,456.00) | Error |
| Sale of erven | - | 1,204,797.00 | 1,204,797.00 | Error |
| Interest received | 12,511,436.00 | 11,681,900.00 | (829,536.00) | Error |
| Reversal of allowance for debt impairment | - | 486,638.00 | 486,638.00 | Error |
| Gains on disposal of assets | - | 1,027,956.00 | 1,027,956.00 | Error |
| **Total revenue from exchange transactions** | **244,895,636.00** | **272,692,477.00** | **27,796,841.00** | |
| **Revenue from non-exchange transactions** | | | | |
| **Taxation revenue** | | | | |
| Property rates | 61,842,042.00 | 62,516,945.00 | 674,903.00 | Error |
| **Transfer revenue** | | | | |
| Government grants & subsidies | 168,055,316.00 | 167,801,166.00 | (254,150.00) | Error |
| Donations | - | 25,192,890.00 | 25,192,890.00 | Error |
| Fines | 2,604,870.00 | 2,525,243.00 | (79,627.00) | Error |
| **Total revenue from non-exchange transactions** | **232,502,228.00** | **258,036,244.00** | **25,534,016.00** | |
| **Total revenue** | **477,397,864.00** | **530,728,721.00** | **53,330,857.00** | |
| **Expenditure** | **2014 Restated** | **2014 Audited** | **Difference** | **Reason** |
| Employee related costs | (138,268,251.00) | (139,657,252.00) | (1,389,001.00) | Error |
| Remuneration of councillors | (10,727,797.00) | (10,727,797.00) | - | |
| Contracted services | (30,906,863.00) | (39,132,673.00) | (8,225,810.00) | Error |
| Depreciation and amortisation | (80,249,513.00) | (60,125,593.00) | 20,123,920.00 | Error |
| Impairment loss/ Reversal of impairments | (2,619,465.00) | - | 2,619,465.00 | Error |
| Finance costs | (8,015,518.00) | (9,242,854.00) | (1,227,336.00) | Error |
| Lease rentals on operating lease | (3,429,138.00) | - | 3,429,138.00 | Error |
| Debt impairment | (32,450,177.00) | - | 32,450,177.00 | Error |
| Repairs and maintenance | (27,331,617.00) | (14,850,021.00) | 12,481,596.00 | Error |
| Bulk purchases | (201,619,576.00) | (204,426,144.00) | (2,806,568.00) | Error |
| Transfer and Subsidies | (398,856.00) | - | 398,856.00 | Error |
| General Expenses | (44,874,573.00) | (68,158,912.00) | (23,284,339.00) | Error |
| **Total expenditure** | **(580,891,344.00)** | **(546,321,246.00)** | **34,570,098.00** | |
| **Operating deficit** | (103,493,480.00) | (15,592,525.00) | 87,900,955.00 | |
| Loss on disposal of assets | (616,971.00) | - | 616,971.00 | Error |
| Actuarial loss | (1,513,000.00) | - | 1,513,000.00 | Error |
| Inventory losses | (4,189,395.00) | - | 4,189,395.00 | Error |
| **Deficit for the year** | **(109,812,846.00)** | **(15,592,525.00)** | **94,220,321.00** | |
| | **Attributable to:** | | | |
| Owners of the controlling entity | **(109,812,846.00)** | **(15,592,525.00)** | **94,220,321.00** | |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**41. Prior period errors (continued)**

| Cash Flow Statement | 2014 Restated | 2014 Audited | Difference | Reason |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| **Receipts** | | | | |
| Property rates taxation | 58,091,661.00 | - | (58,091,661.00) | Error |
| Sale of goods and services | 232,632,106.00 | 276,730,566.00 | 44,098,460.00 | Error |
| Grants | 175,969,263.00 | 171,451,685.00 | (4,517,578.00) | Error |
| Interest income | 12,511,436.00 | 12,511,436.00 | - | Error |
| Other receipts | - | 40,993,545.00 | 40,993,545.00 | Error |
| **Total Receipts** | **479,204,466.00** | **501,687,232.00** | **22,482,766.00** | |
| **Payments** | | | | |
| Employee costs | (147,483,048.00) | (150,385,049.00) | (2,902,001.00) | Error |
| Suppliers | (293,295,248.00) | (276,518,158.00) | 16,777,090.00 | Error |
| Finance costs | (7,519,416.00) | (6,979,573.00) | 539,843.00 | Error |
| **Total Payments** | **(448,297,712.00)** | **(433,882,780.00)** | **14,414,932.00** | |
| **Net cash flows from operating activities** | **30,906,754.00** | **67,804,452.00** | **36,897,698.00** | |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | (48,274,501.00) | (85,247,026.00) | (36,972,525.00) | Error |
| Proceeds from sale of property, plant and equipment | (89,148.00) | - | 89,148.00 | Error |
| Purchase of other intangible assets | - | (18,472.00) | (18,472.00) | Error |
| Proceeds from sale of financial assets | - | - | - | |
| **Net cash flows from investing activities** | **(48,363,649.00)** | **(85,265,498.00)** | **(36,901,849.00)** | |
| **Cash flows from financing activities** | | | | |
| Finance lease payments | (1,902,659.00) | (1,899,358.00) | 3,301.00 | Error |
| Repayment of other financial liabilities | (22,259.00) | - | 22,259.00 | Error |
| Loans paid | - | (22,259.00) | (22,259.00) | Error |
| **Net cash flows from financing activities** | **(1,924,918.00)** | **(1,921,617.00)** | **3,301.00** | |
| **Net increase/(decrease) in cash and cash equivalent** | **(19,381,813.00)** | **(19,382,663.00)** | **(850.00)** | |
| Cash and cash equivalents at the beginning of the year | 19,871,426.00 | 19,872,279.00 | 853.00 | Error |
| **Net cash flows from financing activities** | **489,613.00** | **489,616.00** | **3.00** | |

**The following errors have been identified during the financial year:**

**Statement of Financial Position:**
1. Property, plant and equipment - Work in Progress have been understated. The amounts related to capital and operating expenditure for projects which was incorrectly shown in the prior years' as Work in progress.
2. Property, plant and equipment - Deemed cost were not accounted for in the Fixed asset register according to Directive 7
3. Investment property - Deemed cost were not accounted for in the Fixed asset register according to Directive 7
4. Consumer debtors - Basic charges not billed and rebates given were corrected.
5. VAT receivable - Effect of Work in Progress and retentions. Work in progress, retentions and unspent grants were understated
6. Grants - Grants were overstated due to the vat portion reported as excluded
7.Intangable assets - Incorrectly disclosed with expenditure items
8. Provisions - Reassessment of land fill site provision was conducted

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**41. Prior period errors (continued)**

**Statement of Financial Performance:**

1. Service charges - Basic charges not billed and rebates given were corrected.
2. Income from Agency fees - Reclassification from other income and recalculation of income
3. Rental Income - Reclassification from Rates.
4. Other income - Reclassification to Income from Agency fees.
5. Interest received - Interest on bank accounts accrued for.
6. Gains on disposal of assets - Land sold reclassified.
7. Property rates - Reclassification to rental income.
8. Employee costs- Reclassification of actuarial loss.
9. Reclassification of Councillor related expenses from general expenses.
10. Depreciation - Effect of depreciation of roads accounted for, as well as Work in Progress capitalised.
11. Debt impairment - Basic charges not billed and rebates given were corrected.
12. Repairs and maintenance - Work in progress of assets expensed which did not constitute a capital project.
13. Bulk purchases - Accruals for 2013 understated.
14. Contracted services - Reclassification of expenses.
15. Grants and subsidies paid - Basic charges not billed and rebates given were corrected.
16. Actuarial gain/loss - Reclassification from employee costs.
17. General expenses - Accruals for 2013 not accounted for, prior period errors on Work in Progress, reclassification of other expenses.
17. Fair value adjustments - Actuarial gain previously disclosed as an Other Item.

**Cash Flow Statement:**

Cash flow statement was recalculated and disclosed

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 42. Risk management

**Financial risk management**

**Capital risk management**
The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the municipality consists of cash and cash equivalents and equity as disclosed in the statement of financial position.
Consistent with others in the industry, the municipality monitors capital on the basis of the debt: equity ratio. This ration is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position. There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

**Gearing ratio**:

The gearing ratios at 2015 and 2014 respectively were as follows:

| | | | |
|---|---|---|---|
| Less: Cash and cash equivalents | Note 12 | -29,958,706 | -489,616 |
| Net debt | | -564,235,409 | -433,369,176 |
| Total equity | | 1,388,264,988 | 1,515,960,277 |
| Total capital | | 824,029,579 | 1,082,591,101 |
| Gearing ratio | | 59.35% | 71.41% |

The gearing ratio of the municipality decreased due to DWARF and ESKOM liabilities respectively increasing. Management has entered into a settlement agreement with ESKOM to repay its debt, and are in continuous communication with DWARF regarding the outstanding debt.

**Financial risk management**
The municipality’s is expose to a variety of financial risks: market risk , fair value interest rate risk, cash flow interest rate risk and price risk, credit risk and liquidity risk, but the exposure is limited to the the municipality’s management thereof. Due to largely, "non-trading nature" of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.
The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.
Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**42. Risk management (continued)**

**Liquidity risk**

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The Municipality managing of liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

| **As at 30 June 2015** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** |
|---|---|---|---|---|
| Payables from exchange transactions | 476,754,439 | - | - | - |

| **At 30 June 2014** | **Less than 1 year** | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** |
|---|---|---|---|---|
| Payables from exchange transactions | 334,272,766 | - | - | - |

**Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income received on interest on investments are dependent of changes in market interest rates. Interest rate risk is deferred that the fair value of future cash flows associated with a financial instrument will fluctuate in amount as a result in market interest changes.

To decrease interest rate risk exposure, investments is mostly done on a on a term not longer than six months. The current Interest rate shown below is the average interest earned during the year under review on call investment deposits and cash in current banking institutions.

**Cash flow interest rate risk**

| **Financial instrument** | **Current interest rate** | **Due in less than a year** | **Due in one to two years** | **Due in two to three years** | **Due in three to four years** | **Due after five years** |
|---|---|---|---|---|---|---|
| Cash in current banking institutions | Tiered | 1,771,481.00 | - | - | - | - |
| Call investment deposits | 94.09% | 28,187,225.00 | - | - | - | - |
| Other financial assets | 0.00% | - | - | - | - | - |

**42. Risk management (continued)**
**Credit risk**

Credit risk is the risk of financial loss to the Municipality or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality from customers and investment securities. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.
Each class of financial instrument is disclosed separately. Maximum exposure to credit risk not covered by collateral is specified. Financial instruments covered by collateral are specified. Credit risk consists mainly of cash deposits, cash equivalents. The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the municipality is not exposure to any significant credit risk. Receivables and Other Debtors are individually evaluated annually at statement of financial position date for impairment or discounting. Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, and is not concentrated in any particular sector or geographical area. The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables

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

| **Financial instrument** | **2015** | **2014** |
|---|---|---|
| Investments | - | - |
| Receivables from non-exchange transactions | 9,563,822.00 | - |
| Receivables from exchange transactions | 10,605,213.00 | 11,844,981.00 |
| Bank balances and cash | 29,958,706.00 | 489,616.00 |

The maximum credit and interest risk exposure in respect of the relevant financial instruments amounts to as indicated above.

**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 Municipality's income 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. The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.
There has been no change to the municipality's exposure to market risk on the manner in which manages

**Price risk**
The municipality is exposed to equity securities price risk because of investments held by the municipality and classified on the statement of financial position either as available for sale or at fair value through surplus or deficit. The municipality is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the municipality diversifies its portfolio. Diversification of the portfolio is done in accordance /with the limits set by the municipality. The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.
Surplus for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 43. Unauthorised expenditure

| | | |
|---|---|---|
| Opening balance | 179,591,024 | 89,068,863 |
| Overspending of expenditure | 166,893,676 | 90,522,161 |
| | **346,484,700** | **179,591,024** |

Type of overspending:

| | |
|---|---|
| Operational: | 83,291,851 |
| Capital: | 83,601,825 |

### 44. Fruitless and wasteful expenditure

| | | |
|---|---|---|
| Opening balance | 6,978,001 | - |
| Interest on arrear account - Eskom | 13,099,510 | 6,974,543 |
| Interest and penalties: SARS | 75,233 | 21 |
| Interest on on arrear accounts: Payables from exchange transactions | - | 3,437 |
| | **20,152,744** | **6,978,001** |

### 45. Irregular expenditure

| | | |
|---|---|---|
| Opening balance | 72,301,038 | 30,942,385 |
| Add: Irregular Expenditure - current year | 92,124,561 | 41,358,653 |
| | **164,425,599** | **72,301,038** |

**Analysis of expenditure awaiting condonation per age classification**

| | | |
|---|---|---|
| Current year | 92,124,561 | 41,358,653 |
| Prior years | 72,301,038 | 30,942,385 |
| | **164,425,599** | **72,301,038** |

**Details of irregular expenditure – current year**

| | **Disciplinary steps taken/criminal proceedings** | |
|---|---|---|
| Non-compliance of SCM regulation | All matters where deviation in the SCM was followed | 76,766,906 |
| | | **76,766,906** |

**Details of irregular expenditure discovered in the current year relating to prior year`s**

| | **Disciplinary steps taken/criminal proceedings** | |
|---|---|---|
| Non-compliance of SCM regulation | All matters where deviation in the SCM was followed | 15,357,656 |
| | | **15,357,656** |

**Details of irregular expenditure under investigation for the current year.**

The municipality is still investigating the current years population to identify if further irregular was incurred.

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

## 46. Additional disclosure in terms of Municipal Finance Management Act

### Contributions to organised local government - SALGA

| | | |
|---|---|---|
| Current year subscription / fee | 1,487,865 | 1,276,893 |
| Amount paid - current year | (1,487,865) | (1,276,893) |
| | - | - |

### Material losses through criminal conduct

Electricity losses for the current year amounted to 37.29% i.e R43,920,533.69 (2014: 34.50% i.e. R71,648,533). These losses comprise of technical and nontechnical losses. Technical losses, being losses within the network which are inherent in any network, account for 10% .Non-technical losses, being theft, faults, billing errors etc. Attempts are currently being made to reducethese non-technical losses.

Non revenue water i.e. non billed water amounted to 65.12% i.e. R 31,565,788.61 (2014: 54.85% i.e. R3,825,748.00). 10% Of these losses can be accounted for it terms of the National Guidelines for non-revenue water. 4% Of these losses cannot be accounted for mainly due to the non-metering of this water, being theft, faults, billing errors etc. This problem is currently being addressed whereby additional meters are being installed and a data cleansing process will be initiated to address losses.

### Audit fees

| | | |
|---|---|---|
| Current year subscription / fee | 4,851,073 | 3,606,147 |
| Amount paid - current year | (4,851,073) | (3,606,147) |
| | - | - |

### PAYE and UIF

| | | |
|---|---|---|
| Opening balance | - | 7,218 |
| Current year subscription / fee | 18,750,341 | 16,563,072 |
| Amount paid - current year | (18,750,341) | (16,563,072) |
| Amount paid - previous years | - | (7,218) |
| | - | - |

### Pension and Medical Aid Deductions

| | | |
|---|---|---|
| Current year subscription / fee | 38,353,114 | 35,298,296 |
| Amount paid - current year | (38,353,114) | (35,298,296) |
| | - | - |

### VAT

| | | |
|---|---|---|
| VAT receivable | 25,264,630 | 13,081,002 |
| | **25,264,630** | **13,081,002** |

VAT output payables and VAT input receivables are shown in note 10.

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

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 46. Additional disclosure in terms of Municipal Finance Management Act (continued)

**Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015:

| 30 June 2014 | Outstanding less than 90 days | Outstanding more than 90 days | Total |
|---|---|---|---|
| Dladla KH | 832 | 10,423 | 11,255 |
| Malaza STT | 616 | 4,690 | 5,306 |
| Puwani BS | 604 | 4,347 | 4,951 |
| Sibiya BI | 1,895 | 32,884 | 34,779 |
| | **3,947** | **52,344** | **56,291** |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

### 46. Additional disclosure in terms of Municipal Finance Management Act (continued)

**Supply chain management regulations**

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

| SERVICE-DESCRIPTION | SERVICE-PROVIDERS | CONTRACT PRICE | | PROCUREMENT DATE | JUSTIFIABLE REASONS FOR DEVIATIONS |
|---|---|---|---|---|---|
| Repairs and maintenance- on strip and quote. | De Wit Motors | R | 21,442.60 | 7/29/14 | PTO for Tipper Truck registration DNJ 698 MP had to strip before the quote is given by the service provider. |
| Emergency – Towing Volvo grader stuck in a mud. | Van Wetten's | R | 4,275.00 | 7/29/14 | Grader Volvo was stuck in the mud Van Wetten's Towing was the only service – provider available at the moment. |
| Emergency- Towing front and loader. | Van Wetten's | R | 4,275.00 | 7/30/14 | Front and loader was struck at the mud, Van wetten's was the only service provider available to recover at that moment. |
| Goods /services are produced or available from single provider- Bracket and shoe for manfrotto tripod. | Trans. Atlantic equipment (pty)ltd | R | 4,959.00 | 7/1/14 | Supply and delivery of bracket and shoe for manfrotto tripod, Trans. Atlantic is the sole provider. |
| Goods /services are produced or available from single provider for Truspeed calibration. | Trans. Atlantic equipment (pty)ltd | R | 4,069.80 | 7/2/14 | Supply and delivery of Truspeed calibration as Tran. Atlantic is a sole manufacturer of their products and they keep spare of their part. |
| Emergency- mounted Transformer 200KVA burnt out at Lothair on Saturday 27/07/2014, more 100 house were left without electricity for 2 days. | Sizanaye Electrical | R | 83,728.00 | 7/18/14 | 22KV/415V Pole Mounted transformer 200KVA burnt out at Lothair on Saturday, the 27 July 2014. More than 100 houses were left without power for more than 2 days. Sizanaye is the only supplier who can deliver within 24hours after the order is been issued. |
| Emergency – 11K/415V Pole Mounted Transformer 100KVA burnt out at Davel on Sunday 27/06/2014, more than 50House were left without power for more than 3 days. | Joylolo trading | R | 78,000.00 | 7/18/14 | 11K/415V Pole Mounted Transformer 100KVA burnt out at Davel on Sunday 27/06/2014, more than 50House were left without power for more than 3 days. Joylolo Trading is the only supply who can deliver within 24hrs after the order is issued. |
| Emergency- specialist for meter consulting for urgent independent investigation for Bhebesi Koelkamer meter Installation. The client want to adverse against the Municipality if the matter is not resolved | Livewire Engineering and Consulting PTY Ltd | R | 19,950.00 | 7/17/14 | Meter specialist required urgent for investigation for the Bhubesi Koelkamer meter Installation because the client wants to adverse against the municipality if the matter is not resolved. |
| Emergency – Prolaser 4 Speed Measuring instrument. Truevello is the sole manufacture for these goods. | Truvello | R | 108,961.77 | 7/3/14 | Urgency needed ProLaser Speed Measuring Truvello is the sole Manufacturer for ProLaser |
| Repair and maintenance- on strip and quote. | Brakcore supply | R | 37,402.70 | 7/10/14 | Hino truck to be stripped before quote is given by brake specialist. |
| Emergency- Electrical motors were burned and need to be repair urgent for the treatment of sewer plant. | Ermelo Electro Motor Services | R | 16,079.70 | 06/08/2014 | Repair of Electrical Motor for various sewer treatment plants that are burnt and have to be repair urgent for proper plant operation. |
| - | - | R | - | - | - |
| Emergency- supply of Lunar Traffic controller, mounting pole, installation, programming & commissioning, supply of software to be loaded on municipal laptop. | Traffic signals and accessories cc. | R | 583,376.76 | 8/27/14 | Traffic signals and accessories cc. Is the service provider that gives the municipality the good and quality goods/services required by the municipality. |

### 46. Additional disclosure in terms of Municipal Finance Management Act (continued)

| | | | | | | |
|---|---|---|---|---|---|---|
| Emergency- Transformed urgently required after 200 houses were left without power after the transformer was burned. | Sizanaye Electrical | R | 159,000.00 | 8/6/14 | | 2X 11KV/415V Pole Mounted Transformer 100KVA burnt out Ext 33 on Monday 14/07/2014 more than 200 houses were left without power for 4 days. Sizanaye is the only service provider that deliver within 24 hrs of receiving an order. |
| Emergency and such good s or services are procedure or available from single provider only. | Triple M communication | R | 107,331.00 | 8/28/14 | | Component damaged it must be fixed urgently cannot wait for insurance to replace. |
| Emergency – filling of critical position relating to the appointment of the MM OF Musukaligwa local Municipality | Redsky Consulting | R | 4,047.00 | 8/4/14 | | Urgently needed for filling a critical position relating to appointment of MM of the Msukaligwa Municiapality |
| 1x 11KV/415V Pole Mounted Tranformer 100KVA is overloaded and tripping everyday municipality does not have transformer in stock | Joylolo Trading Enterprise | R | 89,000.00 | 8/1/14 | | 1X 11KV/415V Pole Mounted Transformer 100KVA is oversloading and tripping every night at Breyten Phosa Village in need to be upgraded to 200KVA 11/415V Transformer. The municipality does not have transformers in stock. Joylolo is the only supplier who can deliver within 48 Hrs after the order is been issued. |
| Emergency tyres are urgently needed. | Hardie Tyres services | R | 151,800.54 | 8/13/14 | | The current contact of supplying and delivery of tyres has expired in the process of advertising to source a new supplier. |
| Such goods or services are produced or available from single provider only. | Spray Air Services | R | 43,701.11 | | 20140901.00 | Spray air services is the sole provider for this goods (paint Machine). They are the only that keep spares and repair their own make of machines. |
| Emergency | Nicon Projects | R | 21,381.84 | | 20140909.00 | Repair main pump line to Wesselton. Wesselton village without water. |
| Emergency | Incledon | R | 20,656.80 | | 20140904.00 | Material urgently required repairing damaged bulk line from the purification plant and wesselton dam have water. |
| | APPLE MINING | R | 46,800.00 | 10/30/14 | | |
| - | BELL | R | 33,075.62 | 10/27/14 | | |
| | BELL EQUIPMENT | R | 5,716.22 | 10/27/14 | | |
| | BRAKECOE | R | 27,671.44 | 10/8/14 | | |
| | BUSINESS CONNECTION | R | 40,000.00 | 10/31/14 | | |
| | DEPARTMENT OF ROADS | R | 32,834.90 | 10/17/14 | | |
| | DIMAG | R | 9,017.62 | 10/17/14 | | |
| | ERMELO TRUCK & TRACTOR | R | 275,577.22 | 10/27/14 | | |
| | JWL | R | 7,397.68 | 10/6/14 | | |
| | JWL | R | 7,397.68 | 10/6/14 | | |
| | TRIPLE M | R | 14,660.40 | 10/14/14 | | |
| | WORKSHORP ELECTRONICS | R | 3,243.60 | 11/12/14 | | |
| | FG UNIFORME | R | 22,677.09 | 11/12/14 | | |
| | ESKOM | R | 148,200.00 | 11/11/14 | | |
| | TWAIN2 | R | 3,796.20 | 11/25/14 | | |
| | DE WIT MOTORS | R | 9,647.45 | 11/25/14 | | |
| | SA FAULT LOCATION | R | 8,724.12 | 11/26/14 | | |
| | HADIES TYRES | R | 6,099.00 | 11/26/14 | | |
| | GOVERNMENT PRINT | R | 48,047.75 | | 20141128.00 | SOLE SUPPLIER |
| UGRADE OF TRAFFIC SIGNALS | TRAFFIC SIGNAL | R | 70,110.00 | R | 20,141,210.00 | SOLE SUPPLIER |
| REPAIR BKR 032MP TRACTOR BRAKER FAILURE | J W L INDUSTRIAL | R | 14,892.50 | | 20150113.00 | SOLE SUPPLIER |
| ROUTER BOARD AND INSTALATION | RC TEGNOLOGIE | R | 9,540.08 | | 20150128.00 | EMERGENCY |

# Notes to the Audited Annual Financial Statements

| Figures in Rand | 2015 | 2014 |
|---|---|---|

**46. Additional disclosure in terms of Municipal Finance Management Act (continued)**

| | | | | | |
|---|---|---|---|---|---|
| TRIP AND REPAIR MONITOR | COMPUTER CONNECTION | R | 3,413.16 | 20150128.00 | EMERGENCY |
| EMERGENCY REPAIR SEWER LINE AT EVEREST | MTSWENI AND ELS | R | 27,900.00 | 20150128.00 | EMERGENCY |
| STRIP SIX EPSON TM PRINTERS | JAS PRINT | R | 8,850.00 | 20150225.00 | EMERGENCY |
| MK 3 CALIBERATION | TRUVELO MANU | R | 3,239.80 | 20150224.00 | SOLE SUPPLIER |
| REPAIR CYLINDER HEAD FOR OPEL CORSA | ROTHMAN MOTORS | R | 13,467.45 | 20150303.00 | SOLE SUPPLIER |
| CALIBERATION | TRANS ATLANTIC | R | 4,326.30 | 20150303.00 | SOLE SUPPLIER |
| SEWER PUMP | ERMELO ELECTRO | R | 18,660.66 | 20150317.00 | SOLE SUPPLIER |
| STRIP AND REPAIR | JP MOTOR SERV | R | 40,199.82 | 20150317.00 | SOLE SUPPLIER |
| REPAIR WATER TANNKER DYP 891MP | ERMELO TRUCK AND TRACTOR | R | 62,375.21 | 20150316.00 | SOLE SUPPLIER |
| ONLINE ASSESSMENT FOR CFO POSITION FOR 2 CANDIDATES | RESKY | R | 3,078.00 | 20150323.00 | EMERGENCY |
| CALIBERATION OF HAND HELD 6510 ALCOMETERS | DRAGER SA | R | 1,399.92 | 20150324.00 | SOLE SUPPLIER |
| REPAIR TELEPHONE LINE | TRIPLE M COMMUNICATION | R | 6,498.00 | 20150323.00 | SOLE SUPPLIER |
| REPAIR TRAFFIC LIGHTS | TRAFFIC SIGNAL | R | 18,069.00 | 20150331.00 | SOLE SUPPLIER |
| REPAIR PUMPER | LUNGISA PUMP | R | 41,879.95 | 20150422.00 | EMERGENCY |
| HIRE WATER CART SERV | NTOAKWALA TRADING | R | 101,574.00 | 20150429.00 | EMERGENCY |
| REPAIR PUMPER | ERMELO ELECTRO | R | 107,691.24 | 20150525.00 | EMERGENCY |
| MUD RECOVERY FOR GRADER IN LOTHAIR | VAN WETTENS | R | 5,130.00 | 20150603.00 | EMERGENCY |
| TOWING OF TRUCK | VAN WETTENS | R | 2,109.00 | 20150603.00 | EMERGENCY |

# Msukaligwa Local Municipality

# UNAUDITED - APPENDIX B

## Analysis of property, plant and equipment as at 30 June 2015

| | Cost | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Land and buildings** | | | | | | | | | | | | | | |
| Land and Buildings | 228,727,175 | - | - | - | - | - | **228,727,175** | (19,879,797) | - | - | (3,313,300) | - | **(23,193,097)** | 205,534,078 |
| Landfill Sites (Separate for AFS pursoses) | 4,409,731 | - | - | - | - | - | **4,409,731** | - | - | - | - | - | **-** | 4,409,731 |
| | **233,136,906** | **-** | **-** | **-** | **-** | **-** | **233,136,906** | **(19,879,797)** | **-** | **-** | **(3,313,300)** | **-** | **(23,193,097)** | **209,943,809** |
| **Infrastructure** | | | | | | | | | | | | | | |
| Roads, Pavements & Bridges | 892,401,603 | - | - | 2,747,847 | - | - | **895,149,450** | (324,752,487) | - | - | (41,965,251) | - | **(366,717,738)** | 528,431,712 |
| Generation | 376,808,268 | 626,953 | - | 11,508,383 | - | - | **388,943,604** | (107,598,906) | - | - | (9,722,930) | - | **(117,321,836)** | 271,621,768 |
| Reticulation | 49,740 | - | - | - | - | - | **49,740** | (21,066) | - | - | (995) | - | **(22,061)** | 27,679 |
| Sewerage purification | 623,454,348 | - | - | - | - | - | **623,454,348** | (213,309,947) | - | - | (10,924,401) | - | **(224,234,348)** | 399,220,000 |
| Transportation | 7,482,550 | - | - | - | - | - | **7,482,550** | (3,367,147) | - | - | (374,128) | - | **(3,741,275)** | 3,741,275 |
| Water | 340,069,622 | - | - | 30,527,975 | - | - | **370,597,597** | (94,678,293) | - | - | (7,006,358) | - | **(101,684,651)** | 268,912,946 |
| | **2,240,266,131** | **626,953** | **-** | **44,784,205** | **-** | **-** | **2,285,677,289** | **(743,727,846)** | **-** | **-** | **(69,994,063)** | **-** | **(813,721,909)** | **1,471,955,380** |
| **Community Assets** | | | | | | | | | | | | | | |
| Community assets held | 81,007,425 | - | - | - | - | - | **81,007,425** | (16,025,383) | - | - | (2,734,240) | - | **(18,759,623)** | 62,247,802 |
| | **81,007,425** | **-** | **-** | **-** | **-** | **-** | **81,007,425** | **(16,025,383)** | **-** | **-** | **(2,734,240)** | **-** | **(18,759,623)** | **62,247,802** |

# Msukaligwa Local Municipality

## UNAUDITED - APPENDIX B

June 2015

### Analysis of property, plant and equipment as at 30 June 2015

| | Cost | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Heritage assets** | | | | | | | | | | | | | | |
| Other | 1,069,102 | - | - | - | - | **-** | **1,069,102** | - | - | - | - | - | **-** | 1,069,102 |
| | **1,069,102** | **-** | **-** | **-** | **-** | **-** | **1,069,102** | **-** | **-** | **-** | **-** | **-** | **-** | **1,069,102** |
| **Other assets** | | | | | | | | | | | | | | |
| General vehicles | 11,201,095 | - | - | 443,845 | - | **-** | **11,644,940** | (6,418,896) | - | - | (281,290) | - | **(6,700,186)** | 4,944,754 |
| Plant & equipment | 2,298,811 | 16,879 | - | - | - | **-** | **2,315,690** | (1,135,813) | - | - | (230,785) | - | **(1,366,598)** | 949,092 |
| Computer Equipment | 1,918,466 | 238,056 | - | - | - | **-** | **2,156,522** | (939,740) | - | - | (219,204) | - | **(1,158,944)** | 997,578 |
| Furniture & Fittings | 6,807,517 | 5,263 | - | - | - | **-** | **6,812,780** | (3,285,696) | - | - | (681,196) | - | **(3,966,892)** | 2,845,888 |
| Office Equipment | 1,067,399 | 33,900 | - | - | - | **-** | **1,101,299** | (516,820) | - | - | (109,986) | - | **(626,806)** | 474,493 |
| Leased assets | 6,242,931 | - | - | (443,845) | - | **-** | **5,799,086** | (1,689,200) | - | - | (593,079) | - | **(2,282,279)** | 3,516,807 |
| Other assets | 1,205,949 | - | - | - | - | **-** | **1,205,949** | (606,105) | - | - | (120,595) | - | **(726,700)** | 479,249 |
| Work in progress | 35,141,160 | 20,474,314 | - | (44,784,205) | - | **-** | **10,831,269** | - | - | - | - | - | **-** | 10,831,269 |
| | **65,883,328** | **20,768,412** | **-** | **(44,784,205)** | **-** | **-** | **41,867,535** | **(14,592,270)** | **-** | **-** | **(2,236,135)** | **-** | **(16,828,405)** | **25,039,130** |

# Msukaligwa Local Municipality

## UNAUDITED - APPENDIX B

June 2015

### Analysis of property, plant and equipment as at 30 June 2015

| | Cost | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Total property plant and equipment** | | | | | | | | | | | | | | |
| Land and buildings | 233,136,906 | - | - | - | - | **-** | **233,136,906** | (19,879,797) | - | - | (3,313,300) | - | **(23,193,097)** | 209,943,809 |
| Infrastructure | 2,240,266,131 | 626,953 | - | 44,784,205 | - | **-** | **2,285,677,289** | (743,727,846) | - | - | (69,994,063) | - | **(813,721,909)** | 1,471,955,380 |
| Community Assets | 81,007,425 | - | - | - | - | **-** | **81,007,425** | (16,025,383) | - | - | (2,734,240) | - | **(18,759,623)** | 62,247,802 |
| Heritage assets | 1,069,102 | - | - | - | - | **-** | **1,069,102** | - | - | - | - | - | **-** | 1,069,102 |
| Other assets | 65,883,328 | 20,768,412 | - | (44,784,205) | - | **-** | **41,867,535** | (14,592,270) | - | - | (2,236,135) | - | **(16,828,405)** | 25,039,130 |
| | **2,621,362,892** | **21,395,365** | **-** | **-** | **-** | **-** | **2,642,758,257** | **(794,225,296)** | **-** | **-** | **(78,277,738)** | **-** | **(872,503,034)** | **1,770,255,223** |
| **Investment properties** | | | | | | | | | | | | | | |
| Investment property | 72,764,073 | - | - | - | - | **-** | **72,764,073** | (14,285,558) | - | - | (2,380,926) | - | **(16,666,484)** | 56,097,589 |
| | **72,764,073** | **-** | **-** | **-** | **-** | **-** | **72,764,073** | **(14,285,558)** | **-** | **-** | **(2,380,926)** | **-** | **(16,666,484)** | **56,097,589** |
| **Total** | | | | | | | | | | | | | | |
| Land and buildings | 233,136,906 | - | - | - | - | **-** | **233,136,906** | (19,879,797) | - | - | (3,313,300) | - | **(23,193,097)** | 209,943,809 |
| Infrastructure | 2,240,266,131 | 626,953 | - | 44,784,205 | - | **-** | **2,285,677,289** | (743,727,846) | - | - | (69,994,063) | - | **(813,721,909)** | 1,471,955,380 |
| Community Assets | 81,007,425 | - | - | - | - | **-** | **81,007,425** | (16,025,383) | - | - | (2,734,240) | - | **(18,759,623)** | 62,247,802 |
| Heritage assets | 1,069,102 | - | - | - | - | **-** | **1,069,102** | - | - | - | - | - | **-** | 1,069,102 |
| Other assets | 65,883,328 | 20,768,412 | - | (44,784,205) | - | **-** | **41,867,535** | (14,592,270) | - | - | (2,236,135) | - | **(16,828,405)** | 25,039,130 |
| Investment properties | 72,764,073 | - | - | - | - | **-** | **72,764,073** | (14,285,558) | - | - | (2,380,926) | - | **(16,666,484)** | 56,097,589 |
| | **2,694,126,965** | **21,395,365** | **-** | **-** | **-** | **-** | **2,715,522,330** | **(808,510,854)** | **-** | **-** | **(80,658,664)** | **-** | **(889,169,518)** | **1,826,352,812** |

# Msukaligwa Local Municipality

# Appendix B

## Analysis of property, plant and equipment as at 30 June 2014

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Land and buildings** | | | | | | | | | | | | | | |
| Land and Buildings | 228,727,175 | - | (210,991) | - | - | **-** | **228,516,184** | (16,566,498) | - | - | (3,313,299) | - | **(19,879,797)** | 208,636,387 |
| Landfill Sites (Separate for AFS pursoses) | 4,409,731 | - | - | - | - | **-** | **4,409,731** | - | - | - | - | - | **-** | 4,409,731 |
| | **233,136,906** | **-** | **(210,991)** | **-** | **-** | **-** | **232,925,915** | **(16,566,498)** | **-** | **-** | **(3,313,299)** | **-** | **(19,879,797)** | **213,046,118** |
| **Infrastructure** | | | | | | | | | | | | | | |
| Roads, Pavements & Bridges | 884,476,541 | - | - | 7,925,062 | - | **-** | **892,401,603** | (282,979,210) | - | - | (41,773,277) | - | **(324,752,487)** | 567,649,116 |
| Generation | 366,998,482 | 1,560,559 | - | 8,249,227 | - | **-** | **376,808,268** | (98,150,170) | - | - | (9,448,736) | - | **(107,598,906)** | 269,209,362 |
| Water purification | 340,069,622 | - | - | - | - | **-** | **340,069,622** | (87,672,002) | - | - | (7,006,291) | - | **(94,678,293)** | 245,391,329 |
| Reticulation | 49,740 | - | - | - | - | **-** | **49,740** | (20,072) | - | - | (994) | - | **(21,066)** | 28,674 |
| Sewerage purification | 623,454,644 | - | - | - | - | **-** | **623,454,644** | (202,385,547) | - | - | (10,924,400) | - | **(213,309,947)** | 410,144,697 |
| Transportation | 7,482,550 | - | - | - | - | **-** | **7,482,550** | (2,993,020) | - | - | (374,127) | - | **(3,367,147)** | 4,115,403 |
| | **2,222,531,579** | **1,560,559** | **-** | **16,174,289** | **-** | **-** | **2,240,266,427** | **(674,200,021)** | **-** | **-** | **(69,527,825)** | **-** | **(743,727,846)** | **1,496,538,581** |
| **Community Assets** | | | | | | | | | | | | | | |
| Community assets held | 81,007,425 | - | - | - | - | **-** | **81,007,425** | (13,291,142) | - | - | (2,734,241) | - | **(16,025,383)** | 64,982,042 |
| | **81,007,425** | **-** | **-** | **-** | **-** | **-** | **81,007,425** | **(13,291,142)** | **-** | **-** | **(2,734,241)** | **-** | **(16,025,383)** | **64,982,042** |

# Msukaligwa Local Municipality

## UNAUDITED - APPENDIX B

June 2015

### Analysis of property, plant and equipment as at 30 June 2014

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Heritage assets** | | | | | | | | | | | | | | |
| Other | 1,069,102 | - | - | - | - | **-** | **1,069,102** | - | - | - | - | - | **-** | 1,069,102 |
| | **1,069,102** | **-** | **-** | **-** | **-** | **-** | **1,069,102** | **-** | **-** | **-** | **-** | **-** | **-** | **1,069,102** |
| **Other assets** | | | | | | | | | | | | | | |
| General vehicles | 14,100,566 | - | (279,870) | - | - | **-** | **13,820,696** | (7,027,378) | - | - | (432,174) | (1,578,945) | **(9,038,497)** | 4,782,199 |
| Plant & equipment | 2,296,238 | 3,330 | (151) | - | - | **-** | **2,299,417** | (906,600) | - | - | (229,819) | - | **(1,136,419)** | 1,162,998 |
| Computer Equipment | 1,867,940 | 68,341 | (17,815) | - | - | **-** | **1,918,466** | (739,964) | - | - | (199,776) | - | **(939,740)** | 978,726 |
| Furniture & Fittings | 6,807,329 | 7,560 | (7,372) | - | - | **-** | **6,807,517** | (2,603,660) | - | - | (682,036) | - | **(3,285,696)** | 3,521,821 |
| Office Equipment | 1,072,849 | 6,173 | (11,623) | - | - | **-** | **1,067,399** | (401,685) | - | - | (115,135) | - | **(516,820)** | 550,579 |
| Leased equipment | 4,977,390 | 1,265,541 | - | - | - | **-** | **6,242,931** | (1,175,504) | - | - | (513,696) | - | **(1,689,200)** | 4,553,731 |
| Other assets | 1,205,099 | 850 | - | - | - | **-** | **1,205,949** | (485,523) | - | - | (120,582) | - | **(606,105)** | 599,844 |
| Work in progress | 5,953,302 | 45,362,147 | - | (16,174,289) | - | **-** | **35,141,160** | - | - | - | - | - | **-** | 35,141,160 |
| | **38,280,713** | **46,713,942** | **(316,831)** | **(16,174,289)** | **-** | **-** | **68,503,535** | **(13,340,314)** | **-** | **-** | **(2,293,218)** | **(1,578,945)** | **(17,212,477)** | **51,291,058** |

# Msukaligwa Local Municipality

## UNAUDITED - APPENDIX B

June 2015

### Analysis of property, plant and equipment as at 30 June 2014

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Total property plant and equipment** | | | | | | | | | | | | | | |
| Land and buildings | 233,136,906 | - | (210,991) | - | - | **-** | **232,925,915** | (16,566,498) | - | - | (3,313,299) | - | **(19,879,797)** | 213,046,118 |
| Infrastructure | 2,222,531,579 | 1,560,559 | - | 16,174,289 | - | **-** | **2,240,266,427** | (674,200,021) | - | - | (69,527,825) | - | **(743,727,846)** | 1,496,538,581 |
| Community Assets | 81,007,425 | - | - | - | - | **-** | **81,007,425** | (13,291,142) | - | - | (2,734,241) | - | **(16,025,383)** | 64,982,042 |
| Heritage assets | 1,069,102 | - | - | - | - | **-** | **1,069,102** | - | - | - | - | - | **-** | 1,069,102 |
| Other assets | 38,280,713 | 46,713,942 | (316,831) | (16,174,289) | - | **-** | **68,503,535** | (13,340,314) | - | - | (2,293,218) | (1,578,945) | **(17,212,477)** | 51,291,058 |
| | **2,576,025,725** | **48,274,501** | **(527,822)** | **-** | **-** | **-** | **2,623,772,404** | **(717,397,975)** | **-** | **-** | **(77,868,583)** | **(1,578,945)** | **(796,845,503)** | **1,826,926,901** |
| **Agricultural/Biological assets** | | | | | | | | | | | | | | |
| **Intangible assets** | | | | | | | | | | | | | | |
| **Investment properties** | | | | | | | | | | | | | | |
| Investment property | 72,764,073 | - | - | - | - | **-** | **72,764,073** | (11,904,632) | - | - | (2,380,926) | - | **(14,285,558)** | 58,478,515 |
| | **72,764,073** | **-** | **-** | **-** | **-** | **-** | **72,764,073** | **(11,904,632)** | **-** | **-** | **(2,380,926)** | **-** | **(14,285,558)** | **58,478,515** |
| **Total** | | | | | | | | | | | | | | |
| Land and buildings | 233,136,906 | - | (210,991) | - | - | **-** | **232,925,915** | (16,566,498) | - | - | (3,313,299) | - | **(19,879,797)** | 213,046,118 |
| Infrastructure | 2,222,531,579 | 1,560,559 | - | 16,174,289 | - | **-** | **2,240,266,427** | (674,200,021) | - | - | (69,527,825) | - | **(743,727,846)** | 1,496,538,581 |
| Community Assets | 81,007,425 | - | - | - | - | **-** | **81,007,425** | (13,291,142) | - | - | (2,734,241) | - | **(16,025,383)** | 64,982,042 |
| Heritage assets | 1,069,102 | - | - | - | - | **-** | **1,069,102** | - | - | - | - | - | **-** | 1,069,102 |
| Other assets | 38,280,713 | 46,713,942 | (316,831) | (16,174,289) | - | **-** | **68,503,535** | (13,340,314) | - | - | (2,293,218) | (1,578,945) | **(17,212,477)** | 51,291,058 |
| Investment properties | 72,764,073 | - | - | - | - | **-** | **72,764,073** | (11,904,632) | - | - | (2,380,926) | - | **(14,285,558)** | 58,478,515 |
| | **2,648,789,798** | **48,274,501** | **(527,822)** | **-** | **-** | **-** | **2,696,536,477** | **(729,302,607)** | **-** | **-** | **(80,249,509)** | **(1,578,945)** | **(811,131,061)** | **1,885,405,416** |

## "UNAUDITED - APPENDIX D"

June 2015

### Segmental Statement of Financial Performance for the year ended

| Prior Year | | | | Current Year | | |
|---|---|---|---|---|---|---|
| Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand | | Actual Income Rand | Actual Expenditure Rand | Surplus /(Deficit) Rand |
| | | | **Municipality** | | | |
| 110,527,844 | 3,875,848 | 106,651,996 | Executive & Council/Mayor and Council | 89,956,184 | 30,102,967 | 59,853,217 |
| 73,465,256 | 68,825,213 | 4,640,043 | Finance & Admin/Finance | 91,748,105 | 82,021,917 | 9,726,188 |
| 35,913,502 | (4,910,246) | 40,823,748 | Planning and Development/Economic Development/Plan | 2,193,908 | 20,018,081 | (17,824,173) |
| - | (2,059) | 2,059 | Health/Clinics | - | 1,139,830 | (1,139,830) |
| 1,079,946 | 18,717,704 | (17,637,758) | Comm. & Social/Libraries and archives | 980,101 | 20,499,320 | (19,519,219) |
| 2,534,893 | 2,406,244 | 128,649 | Housing | 3,148,793 | 2,334,757 | 814,036 |
| 12,504,005 | 37,269,257 | (24,765,252) | Public Safety/Police | 16,152,297 | 43,210,850 | (27,058,553) |
| 48,822 | 3,667,202 | (3,618,380) | Sport and Recreation | 72,444 | 4,127,425 | (4,054,981) |
| 31,574,912 | 35,616,893 | (4,041,981) | Waste Water Management/Sewerage | 34,805,920 | 40,610,932 | (5,805,012) |
| - | 55,403,466 | (55,403,466) | Road Transport/Roads | - | 28,346,838 | (28,346,838) |
| 24,509,805 | 113,391,629 | (88,881,824) | Water/Water Distribution | 31,720,473 | 39,627,122 | (7,906,649) |
| 181,487,545 | 155,008,944 | 26,478,601 | Electricity /Electricity Distribution | 173,500,957 | 124,664,431 | 48,836,526 |
| 56,799 | 25,755 | 31,044 | Other/Air Transport | 85,591 | 41,101 | 44,490 |
| **473,703,329** | **489,295,850** | **(15,592,521)** | | **444,364,773** | **436,745,571** | **7,619,202** |
| | | | **Municipal Owned Entities** | | | |
| | | | **Other charges** | | | |
| 473,703,329 | 489,295,850 | (15,592,521) | Municipality | 444,364,773 | 436,745,571 | 7,619,202 |
| **473,703,329** | **489,295,850** | **(15,592,521)** | **Total** | **444,364,773** | **436,745,571** | **7,619,202** |

## Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2015

| | 2015 Act. Bal. Rand | 2015 Adjusted budget Rand | Variance Rand | Var | Explanation of Significant Variances greater than 10% versus Budget |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Service charges | 231,946,552 | 245,272,470 | (13,325,918) | (5.4) | |
| Rental of facilities and equipment | 2,101,039 | 2,178,460 | (77,421) | (3.6) | |
| Agency services | 10,280,745 | 8,814,600 | 1,466,145 | 16.6 | Increase in licences issued. |
| Other income - (rollup) | 11,004,613 | 14,936,698 | (3,932,085) | (26.3) | Over budget of other income |
| Interest received - investment | 21,320,790 | 20,200,000 | 1,120,790 | 5.5 | |
| | 276,653,739 | 291,402,228 | (14,748,489) | (5.1) | |
| Expenses | | | | | |
| Personnel | (149,139,807) | (143,716,222) | (5,423,585) | 3.8 | |
| Remuneration of councillors | (11,628,372) | (11,654,623) | 26,251 | (0.2) | |
| Depreciation | (29,981,303) | (59,962,637) | 29,981,334 | (50.0) | Insufficient budget prepared for depreciation. |
| Finance costs | (242,432) | (279,801) | 37,369 | (13.4) | Finance lease were fully paid during the year. |
| Bad debts written off | (2,768,337) | (77,424,007) | 74,655,670 | (96.4) | |
| Repairs and maintenance - General | (56,430,754) | (19,096,748) | (37,334,006) | 195.5 | Capital expenditure related to asset repairs expensed |
| Bulk purchases | (94,114,461) | (183,608,437) | 89,493,976 | (48.7) | |
| Contracted Services | (43,040,084) | (44,888,346) | 1,848,262 | (4.1) | |
| General Expenses | (49,400,022) | (52,760,349) | 3,360,327 | (6.4) | |
| | (436,745,572) | (593,391,170) | 156,645,598 | (26.4) | |
| Other revenue and costs | | | | | |
| Gain or loss on disposal of assets and liabilities | 2,673,593 | 2,305,172 | 368,421 | 16.0 | |
| | 2,673,593 | 2,305,172 | 368,421 | 16.0 | |
| Net surplus/ (deficit) for the year | (157,418,240) | (299,683,770) | 142,265,530 | (47.5) | |

**Msukaligwa Local Municipality**
**UNAUDITED - APPENDIX F**
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**
June 2015

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | | Quarterly Expenditure | | | | | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Sep | Dec | Mar | Jun | | Sep | Dec | Mar | Jun | | Yes/ No |
| Municipal Infrastructure Grant | National Treasury | 13,563,000 | 30,198,000 | - | - | 43,761,000 | 2,141,466 | 8,758,267 | 10,557,638 | 14,786,901 | 36,244,272 | Yes |
| Municipal Systems Improvement Grant | National Treasury | 934,000 | - | - | - | 934,000 | 934,000 | - | - | - | 934,000 | Yes |
| Local Government Financial Management Grant | National Treasury | 1,600,000 | - | - | - | 1,600,000 | 105,629 | 987,717 | 88,931 | 41,723 | 1,600,000 | Yes |
| Expanded Public Works Programme ntegrated Grant for Municipalities | National Treasury | 458,000 | 343,000 | 343,000 | - | 1,144,000 | 176,516 | 921,019 | 44,465 | - | 1,144,000 | Yes |
| EQUITABLE SHARE | National Treasury | 45,487,000 | 20,490,000 | 22,017,000 | - | 87,994,000 | 45,487,000 | 20,490,000 | 22,017,000 | - | 87,994,000 | Yes |
| Integrated National Electrification Programme (Municipal) Grant | National Treasury | 4,000,000 | 5,000,000 | 1,000,000 | - | 10,000,000 | 1,391,002 | 2,826,323 | 2,039,606 | 5,284,210 | 11,541,141 | Yes |
| | | **66,042,000** | **56,031,000** | **23,360,000** | **-** | **145,433,000** | **50,235,613** | **33,983,326** | **34,747,640** | **20,112,834** | **139,457,413** | |