

Govan Mbeki Municipality Annual Financial Statements

for the year ended 30 June 2015

**Legal form of entity** Municipality

### Mayoral committee

Executive Mayor Chief Whip Speaker

Members of Mayoral Commitee

Masina LL Makhanye SA Gwiji CV

Khayiyana MZC Mahlangu BS Mtshali PD Ngxonono YT Nkosi NE Nkambule FB

Councillors Badenhorst HJ

Bosch PR Buthelezi TM Denny TM De Vries GR

Labuschagne PJ Lekoloane ML Mabena SS Mahlangu BD

Mahlangu SS Majozi NE Makola MB Masango JM Masango SA Masina HS Masombuka SM Mathabe NM Mathebula SB Mayisa JS Mkhwanazi ZG Mngomezulu MP Motaung AD Mtsweni LJ Mtsweni MJ Mtsweni TA Mtsweni TP Mvundla WL Mzinyane TE Ndaba BB Ndinisa BJ Ndlovu SJ Nhlapo MD Nkabinde MA Nkabinde JB Nkosi MJ

Nkosi NK

Nxumalo NJ Ntuli GN Nzama PG Pretorius RJ Sibande ES Tlou DL Tsotetsi TJ Van Baalen JA

Van Huyssteen NC Van Rooyen EJ Victor NS

Vilakazi EA Viljoen M Zulu NN Zulu TS

Zwane PJ

### Grading of local authority Capacity of local authority Dermacation code

B4

High MP307

**Chief Finance Officer (CFO)** Mokgatsi JM

**Accounting Officer** Mahlangu MF

**Registered office** Central Business Area

Horwood Street Secunda

2302

**Postal address** Private bag X1017

Secunda 2302

**Bankers** ABSA Bank Limited

Standard Bank

**Auditors** Auditor General South Africa

**Attorneys** Cronje de Waal & Skhosana Attorneys Inc.

Els Louw and Rasool Attorneys Ramathe MJ Attorneys

TMN Kgomo and Associates Paul Masha attorneys

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

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Management Act

### Abbreviations

COID Compensation for Occupational Injuries and Diseases

CRR Capital Replacement Reserve

DBSA Development Bank of South Africa

GRAP Generally Recognised Accounting Practice

SANEDI South African National Energy Development Institute

HDF Housing Development Fund

IAS International Accounting Standards

IMFO Institute of Municipal Finance Officers

IPSAS International Public Sector Accounting Standards

ME's Municipal Entities

MEC Member of the Executive Council

MFMA Municipal Finance Management Act

MIG Municipal Infrastructure Grant

I, M.F. Mahlangu, accounting officer of the Govan Mbeki Local Municipality, am responsible for the preparation of the annual financial statements, which are set out on pages 5 to 83 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

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

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

Our opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements

The municipality’s cash flow forecast for the year beginning 1 July 2014 to 30 June 2015 and, in the light of this review and the current financial position and revenue enhancement activities the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Accounting officer certify that the salaries , allowance and benefits of councillors as disclosed in the note of these annual financial statemet are within the upper limit of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers At, Act No.20 of 1998.

The annual financial statements set out on pages 5 to 85, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015.

### Mahlangu MF Municipal Manager

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

### Review of activities

**Main business and operations**

The municipality is engaged in local government and operates principally in South Africa.

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

Net deficit of the municipality was R 118 127 373 (2014: deficit R 60 236 070 restated).

### Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to bill revenue accurately to the consumers, collect the monies dues timeously and paying of service providers in time.

### Subsequent events

The accounting officer is aware of circumstance arise since the end of the financial year.Details of the events are disclosed in the notes of the annual financial statements.

### Public Private Partnership

The municipality did not have any public private partnerships as at end of reporting period.

|  |  |  |  |
| --- | --- | --- | --- |
| Annual Financial Statements for the year ended 30 June 2015  **Statement of Financial Position as at 30 June 2015** |  | | |
| Figures in Rand | Note(s) | 2015 | 2014  Restated\* |
| **Assets** |  |  |  |
| Current Assets |  |  |  |
| Cash and cash equivalents | 14 | 18 396 455 | 16 232 399 |
| Consumer debtors | 13 | 139 601 431 | 180 192 035 |
| Inventories | 10 | 10 700 700 | 9 976 195 |
| Short term portion of long term receivables | 9 | 3 544 871 | 4 313 614 |
| Operating lease asset |  | - | 78 181 |
| Receivables from exchange transactions | 11 | 7 993 307 | 10 505 188 |
| Receivables from non-exchange | 12 | 17 661 674 | 31 131 734 |
|  |  | **197 898 438** | **252 429 346** |
| Non-Current Assets |  |  |  |
| Investment property | 3 | 1 425 166 000 | 1 377 162 058 |
| Property, plant and equipment | 4 | 2 124 160 738 | 2 133 714 722 |
| Intangible assets | 5 | 983 943 | 1 087 123 |
| Heritage assets | 6 | 4 744 543 | 4 744 543 |
| Other financial assets | 7 | 9 815 299 | 16 660 787 |
| Long term receivables | 9 | 24 484 701 | 19 230 464 |
|  |  | **3 589 355 224** | **3 552 599 697** |
| **Total Assets** |  | **3 787 253 662** | **3 805 029 043** |
| **Liabilities** |  |  |  |
| Current Liabilities |  |  |  |
| Other financial liabilities | 17 | 4 646 522 | 4 152 280 |
| Finance lease obligation | 15 | 457 220 | 204 437 |
| Payables from exchange | 20 | 448 063 716 | 356 692 277 |
| Trade and other payable from non-exchange | 21 | 14 442 927 | 12 085 118 |
| VAT payable | 22 | 60 835 307 | 77 565 889 |
| Consumer deposits | 23 | 21 630 101 | 20 230 254 |
| Employee benefit obligation | 8 | 1 168 000 | 1 161 000 |
| Unspent conditional grants | 16 | 26 535 073 | 2 585 590 |
| Provisions for landfill site | 18 | 2 423 069 | 2 160 095 |
| Long service award liability | 19 | 2 306 000 | 1 981 000 |
|  |  | **582 507 935** | **478 817 940** |
| Non-Current Liabilities |  |  |  |
| Other financial liabilities | 17 | 7 785 026 | 12 551 952 |
| Finance lease obligation | 15 | 260 133 | 163 040 |
| Employee benefit obligation | 8 | 49 431 864 | 47 473 864 |
| Provisions for landfill site | 18 | 88 052 441 | 91 388 613 |
| Long term service liability | 19 | 21 648 000 | 18 937 999 |
|  |  | **167 177 464** | **170 515 468** |
| **Total Liabilities** |  | **749 685 399** | **649 333 408** |
| **Net Assets** |  | **3 037 568 263** | **3 155 695 635** |
| Accumulated surplus |  | 3 037 568 263 | 3 155 695 635 |

|  |  |  |
| --- | --- | --- |
| **Statement of Financial Performance** |  | |
| Figures in Rand | Note(s) | 2015 2014  Restated\* |
| **Revenue** |  |  |
| **Revenue from exchange transactions**  Service charges | 25 | 835 568 576 868 196 729 |
| Rental of facilities and equipment |  | 3 009 431 2 504 225 |
| Interest received on outstanding debtors |  | 24 479 491 35 270 431 |
| Income from agency fees |  | 22 714 517 23 750 711 |
| Administration and management fees received |  | 8 571 308 11 264 756 |
| Fees earned |  | 6 481 386 6 670 112 |
| Incidental income |  | 915 669 1 617 613 |
| Other income | 27 | 3 919 137 1 463 857 |
| Interest received | 28 | 2 645 122 1 666 607 |
| Dividends received | 28 | 42 093 57 242 |
| **Total revenue from exchange transactions** |  | **908 346 730 952 462 283** |
| **Revenue from non-exchange transactions** |  |  |
| **Taxation revenue**  Property rates | 29 | 184 127 846 175 653 444 |
| **Transfer revenue**  Government grants & subsidies | 31 | 378 924 069 412 740 233 |
| Public contributions and donations |  | 9 589 90 261 |
| Fines |  | 28 208 077 22 737 891 |
| Insurance claims |  | 734 319 413 587 |
| **Total revenue from non-exchange transactions** |  | **592 003 900 611 635 416** |
| **Total revenue** | 24 | **1 500 350 630 1 564 097 699** |
| **Expenditure**  Employee related costs | 32 | (382 907 367) (342 641 223) |
| Remuneration of councillors | 33 | (17 351 700) (16 309 886) |
| Depreciation and amortisation | 34 | (150 531 942) (186 620 200) |
| Impairment of assets | 35 | (2 453 899) (2 220 639) |
| Finance costs | 36 | (38 322 117) (20 940 578) |
| Debt Impairment | 37 | (159 815 675) (142 149 353) |
| Collection costs |  | (5 410 622) (6 669 583) |
| Repairs and maintenance | 41 | (54 985 915) (74 930 691) |
| Bulk purchases | 38 | (620 630 533) (556 918 671) |
| Contracted services | 39 | (69 892 945) (73 945 546) |
| Grants and subsidies paid | 30 | (53 220 341) (49 732 936) |
| General expenses | 40 | (115 485 997) (173 471 062) |
| **Total expenditure** |  | **(1 671 009 053)(1 646 550 368)** |
| **Operating deficit** | 44 | **(170 658 423) (82 452 669)** |
| Loss on disposal of assets |  | (12 342 569) (65 401 292) |
| Acturial loss |  | (1 126 000) 10 106 000 |
| Fair value adjustments | 42 | 65 999 617 77 511 891 |
|  |  | **52 531 048 22 216 599** |
| **Deficit for the year** |  | **(118 127 375) (60 236 070)** |

|  |  |
| --- | --- |
| **Statement of Changes in Net Assets** |  |
| Figures in Rand | Accumulated Total net surplus assets |
| Opening balance as previously reported | 2 509 775 103 2 509 775 103 |
| Prior year adjustments - note 51 | 706 156 602 706 156 602 |
| **Balance at 01 July 2013 as restated\***  Changes in net assets Deficit for the year | **3 215 931 705 3 215 931 705**  (60 236 070) (60 236 070) |
| Total changes | (60 236 070) (60 236 070) |
| Opening balance as previously reported | 3 046 195 679 3 046 195 679 |
| Prior year adjustments - note 51 | 109 499 957 109 499 957 |
| **Restated\* Balance at 01 July 2014 as restated\***  Changes in net assets Deficit for the year | **3 155 695 636 3 155 695 636**  (118 127 373) (118 127 373) |
| Total changes | (118 127 373) (118 127 373) |
| **Balance at 30 June 2015** | **3 037 568 263 3 037 568 263** |
| Note(s) |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **Cash Flow Statement** |  | | |
| Figures in Rand | Note(s) | 2015 | 2014  Restated\* |
| **Cash flows from operating activities** |  |  |  |
| **Receipts** |  |  |  |
| Service charges |  | 1 048 232 985 | 952 642 989 |
| Grants |  | 373 487 598 | 335 430 264 |
| Interest income |  | 2 645 122 | 507 961 |
| Dividends received |  | 42 093 | 37 848 |
| Other receipts |  | 46 330 669 | 159 532 321 |
| Fines |  | 4 778 264 | 6 714 431 |
|  |  | 1 475 516 731 | 1 454 865 814 |
| **Payments** |  |  |  |
| Employee costs |  | (392 145 363) | (368 166 094) |
| Suppliers |  | (165 837 369) | (250 393 154) |
| Finance costs |  | (114 543) | (67 921) |
| Contracted services |  | (67 864 895) | (74 799 176) |
| Bulk purchases |  | (626 725 011) | (586 129 610) |
| Other payments |  | (117 892 456) | (96 944 833) |
|  |  | (1 370 579 637) | (1 376 500 788) |
| **Net cash flows from operating activities** | 45 | **104 937 094** | **78 365 026** |
| **Cash flows from investing activities** |  |  |  |
| Purchase of property, plant and equipment | 4 | (129 866 006) | (115 689 492) |
| Proceeds from sale of property, plant and equipment |  | 23 057 460 | 25 239 015 |
| Purchase of intangible assets | 5 | (94 142) | (916 526) |
| Movement in investments |  | 10 158 310 | 89 098 |
| **Net cash flows from investing activities** |  | **(96 744 378)** | **(91 277 905)** |
| **Cash flows from financing activities** |  |  |  |
| Movement in consumer deposits |  | 3 606 020 | (3 750 296) |
| Movement in loans |  | (5 918 979) | (5 918 979) |
| Finance lease payments |  | (3 715 699) | 3 329 453 |
| **Net cash flows from financing activities** |  | **(6 028 658)** | **(6 339 822)** |
| **Net increase/(decrease) in cash and cash equivalents** |  | **2 164 058** | **(19 252 701)** |
| Cash and cash equivalents at the beginning of the year |  | 16 232 399 | 35 485 100 |
| **Cash and cash equivalents at the end of the year** | 14 | **18 396 457** | **16 232 399** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Statement of Financial Performance Revenue**  **Revenue from exchange transactions** |  | | | | |
| Service charges | 948 224 861 | 35 690 707 | **983 915 568** | 835 568 576 | **(148 346 992)** |
| Rental of facilities and equipment | 3 065 405 | - | **3 065 405** | 3 009 431 | **(55 974)** |
| Interest on outstanding debtors | 36 085 834 | - | **36 085 834** | 24 479 491 | **(11 606 343)** |
| Income from agency services | 23 264 012 | - | **23 264 012** | 22 714 517 | **(549 495)** |
| Administration and management fees | 14 092 883 | - | **14 092 883** | 8 571 308 | **(5 521 575)** |
| Fees earned | 7 855 869 | - | **7 855 869** | 6 481 386 | **(1 374 483)** |
| Incidental income | 1 502 116 | - | **1 502 116** | 915 669 | **(586 447)** |
| Other income | 4 954 776 | (25 332) | **4 929 444** | 3 919 137 | **(1 010 307)** |
| Interest received - investment | 1 581 495 | - | **1 581 495** | 2 645 122 | **1 063 627** |
| Dividends received | 45 727 | - | **45 727** | 42 093 | **(3 634)** |
| **Total revenue from exchange** | **1 040 672 978** | **35 665 375 1** | **076 338 353** | **908 346 730** | **(167 991 623)** |
| **transactions** |  |  |  |  |  |

### Revenue from non-exchange transactions

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Property rates | 209 807 803 | (48 807 799) | **161 000 004** | 184 127 846 | **23 127 842** |
| Government grants & subsidies | 301 269 000 | 81 116 472 | **382 385 472** | 378 924 069 | **(3 461 403)** |
| Public contributions & donations | 483 | - | **483** | 9 589 | **9 106** |
| Fines | 7 378 016 | 17 621 980 | **24 999 996** | 28 208 077 | **3 208 081** |
| Insurance Claims | 850 464 | - | **850 464** | 734 319 | **(116 145)** |
| **Total revenue from non-exchange** | **519 305 766** | **49 930 653** | **569 236 419** | **592 003 900** | **22 767 481** |
| **transactions** |  |  |  |  |  |
| **Total revenue** | **1 559 978 744** | **85 596 028 1** | **645 574 772** | **1 500 350 630** | **(145 224 142)** |
| **Expenditure** |  |  |  |  |  |
| Personnel | (361 709 368) | (2 822 732) | **(364 532 100)** | (382 907 367) | **(18 375 267)** |
| Remuneration of councillors | (18 543 746) | 2 000 174 | **(16 543 572)** | (17 351 700) | **(808 128)** |
| Depreciation and amortisation | (322 883 599) | 132 357 403 | **(190 526 196)** | (153 011 399) | **37 514 797** |
| Finance costs | (3 775 945) | 1 048 993 | **(2 726 952)** | (38 322 117) | **(35 595 165)** |
| Debt impairment | (114 773 224) | (11 211 152) | **(125 984 376)** | (159 815 675) | **(33 831 299)** |
| Collection costs | (6 529 496) | 1 970 840 | **(4 558 656)** | (5 410 622) | **(851 966)** |
| Repairs and maintenance | (113 838 399) | 48 699 663 | **(65 138 736)** | (54 985 915) | **10 152 821** |
| Bulk purchases | (572 152 115) | 34 409 963 | **(537 742 152)** | (620 630 533) | **(82 888 381)** |
| Contracted Services | (85 636 318) | 24 930 310 | **(60 706 008)** | (69 892 945) | **(9 186 937)** |
| Grants and subsidies | (58 375 219) | (5) | **(58 375 224)** | (53 220 341) | **5 154 883** |
| General expenses | (164 311 771) | 56 510 381 | **(107 801 390)** | (115 460 439) | **(7 659 049)** |
| **Total expenditure (1 822 529 200) 287 893 838 (1 534 635 362)(1 671 009 053) (136 373 691)** | | | | | |
| **Operating deficit** | **(262 550 456)** | **373 489 866** | **110 939 410** | **(170 658 423)** | **(281 597 833)** |
| Loss on disposal of assets | 100 000 000 | (45 000 004) | **54 999 996** | (12 342 569) | **(67 342 565)** |
| Acturial losses | - | - | **-** | (1 126 000) | **(1 126 000)** |
| Fair value adjustments | 100 000 | - | **100 000** | 65 999 617 | **65 899 617** |
|  | **100 100 000** | **(45 000 004)** | **55 099 996** | **52 531 048** | **(2 568 948)** |
| **Deficit for the year** | **(162 450 456)** | **328 489 862** | **166 039 406** | **(118 127 375)** | **(284 166 781)** |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Statement of Financial Position Assets**  **Current Assets** | |  | | | | |
| Inventories | | 14 265 350 | - | **14 265 350** | 10 700 699 | **(3 564 651)** |
| Other financial assets | | 2 524 564 | - | **2 524 564** | - | **(2 524 564)** |
| Receivables from exchange | | 14 058 919 | - | **14 058 919** | 7 993 307 | **(6 065 612)** |
| Receivables from non-exchange | | - | - | **-** | 17 661 673 | **17 661 673** |
| Consumer debtors | | 504 019 871 | (335 368 277) | **168 651 594** | 139 601 432 | **(29 050 162)** |
| Short term portion of long term receivables  Cash and cash equivalents | | 8 665 700  (121 033 967) | -  256 178 520 | **8 665 700**  **135 144 553** | 3 544 871  18 396 455 | **(5 120 829)**  **(116 748 098)** |
|  | | **422 500 437** | **(79 189 757)** | **343 310 680** | **197 898 437** | **(145 412 243)** |
| **Non-Current Assets**  Investment property | | 842 170 661 | - | **842 170 661** | 1 425 166 000 | **582 995 339** |
| Property, plant and equipment | | 2 099 689 069 | 50 583 926 | **2 150 272 995** | 2 124 160 738 | **(26 112 257)** |
| Intangible assets | | 85 394 | 1 001 729 | **1 087 123** | 983 943 | **(103 180)** |
| Heritage assets | | - | - | **-** | 4 744 543 | **4 744 543** |
| Other financial assets | | 17 182 256 | - | **17 182 256** | 9 815 300 | **(7 366 956)** |
| Long term receivables | | 39 976 275 | - | **39 976 275** | 24 484 701 | **(15 491 574)** |
|  | | **2 999 103 655** | **51 585 655** | **3 050 689 310** | **3 589 355 225** | **538 665 915** |
| **Total Assets** | | **3 421 604 092** | **(27 604 102)** | **3 393 999 990** | **3 787 253 662** | **393 253 672** |
| **Liabilities** | |  |  |  |  |  |
| **Current Liabilities**  Other financial liabilities | | 3 011 621 | - | **3 011 621** | 4 646 522 | **1 634 901** |
| Finance lease obligation | | - | - | **-** | 457 220 | **457 220** |
| Payables from exchange | | 234 626 097 | (15 236 425) | **219 389 672** | 448 063 716 | **228 674 044** |
| Payables from non-exchange | | - | - | **-** | 14 442 927 | **14 442 927** |
| VAT payable | | - | - | **-** | 60 835 307 | **60 835 307** |
| Consumer deposits | | 21 191 575 | - | **21 191 575** | 21 630 101 | **438 526** |
| Employee benefit obligation | | - | - | **-** | 1 168 000 | **1 168 000** |
| Unspent conditional grants | | - | - | **-** | 26 535 073 | **26 535 073** |
| Provisions for landfill site | | 26 370 368 | - | **26 370 368** | 2 423 069 | **(23 947 299)** |
| Long service award liability | | - | - | **-** | 2 306 000 | **2 306 000** |
|  | | **285 199 661** | **(15 236 425)** | **269 963 236** | **582 507 935** | **312 544 699** |
| **Non-Current Liabilities**  Other financial liabilities | | 13 979 480 | - | **13 979 480** | 7 785 026 | **(6 194 454)** |
| Finance lease obligation | | - | - | **-** | 260 133 | **260 133** |
| Employee benefit obligation | | - | - | **-** | 49 431 864 | **49 431 864** |
| Provisions for landfill site | | 156 537 702 | - | **156 537 702** | 88 052 441 | **(68 485 261)** |
| Long term service liability | | - | - | **-** | 21 648 000 | **21 648 000** |
|  | | **170 517 182** | **-** | **170 517 182** | **167 177 464** | **(3 339 718)** |
| **Total Liabilities** | | **455 716 843** | **(15 236 425)** | **440 480 418** | **749 685 399** | **309 204 981** |
| **Net Assets** | **2 965 887 249** | | **(12 367 677) 2 953 519 572 3 037 568 263** | | | **84 048 691** |
| Accumulated surplus | 2 965 887 249 | | (12 367 677) **2 953 519 572** 3 037 568 263 | | | **84 048 691** |

# Govan Mbeki Municipality

Annual Financial Statements for the year ended 30 June 2015

# Appropriation Statement

Figures in Rand

**Original budget Budget**

**Final**

**Shifting of**

**Virement (i.t.o.**

**Final budget Actual outcome Unauthorised**

**Variance Actual**

**Actual**

**adjustments**

**adjustments**

**funds (i.t.o. s31 council**

**expenditure**

**outcome**

**outcome**

**(i.t.o. s28 and s31 of the MFMA)**

**budget**

**of the MFMA)**

**approved policy)**

**as % of final budget**

**as % of original budget**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2015**  **Financial Performance** |  | | | | | | | |
| Property rates | 209 807 803 | (48 807 799) | 161 000 004 | - 161 000 004 | 184 127 846 | 23 127 842 | 114 % | 88 % |
| Service charges | 948 224 861 | 35 690 707 | 983 915 568 | - 983 915 568 | 835 568 576 | (148 346 992) | 85 % | 88 % |
| Investment revenue | 1 581 504 | - | 1 581 504 | - 1 581 504 | 2 687 215 | 1 105 711 | 170 % | 170 % |
| Transfers recognised - operational  Other own revenue | 224 188 000  199 196 000 | - (27 449 996) | 224 188 000  171 746 004 | - 224 188 000  - 171 746 004 | 225 519 066  165 032 954 | 1 331 066  (6 713 050) | 101 %  96 % | 101 %  83 % |
| **Total revenue (excluding capital transfers and contributions)** | **1 582 998 168** | **(40 567 088)** | **1 542 431 080** | **- 1 542 431 080** | **1 412 935 657** | **(129 495 423)** | **92 %** | **89 %** |
| Employee costs | (361 709 368) | (2 822 732) | (364 532 100) | - - (364 532 100) | (382 907 367) | - (18 375 267) | 105 % | 106 % |
| Remuneration of councillors | (18 543 746) | 2 000 174 | (16 543 572) | - - (16 543 572) | (17 351 700) | - (808 128) | 105 % | 94 % |
| Debt impairment | (114 773 224) | (11 211 152) | (125 984 376) | (125 984 376) | (159 815 675) | - (33 831 299) | 127 % | 139 % |
| Depreciation and asset impairment | (322 883 599) | 132 357 403 | (190 526 196) | (190 526 196) | (152 985 841) | - 37 540 355 | 80 % | 47 % |
| Finance charges | (3 775 945) | 1 048 993 | (2 726 952) | - - (2 726 952) | (38 322 117) | - (35 595 165) | 1 405 % | 1 015 % |
| Materials and bulk purchases | (572 152 115) | 34 409 963 | (537 742 152) | - - (537 742 152) | (620 630 533) | - (82 888 381) | 115 % | 108 % |
| Transfers and grants | (58 375 219) | (5) | (58 375 224) | - - (58 375 224) | (53 220 341) | - 5 154 883 | 91 % | 91 % |
| Other expenditure | (380 795 776) | 142 111 012 | (238 684 764) | - - (238 684 764) | (259 244 048) | - (20 559 284) | 109 % | 68 % |
| **Total expenditure** | **(1 833 008 992)** | **297 893 656** | **(1 535 115 336)** | **- - (1 535 115 336)** | **(1 684 477 622)** | **- (149 362 286)** | **110 %** | **92 %** |
| **Surplus/(Deficit)** |  |  |  |  |  |  |  |  |
| Transfers recognised - |  |  |  |  |  |  |  |  |
| capital |  |  |  |  |  |  |  |  |
| Contributions recognised |  |  |  |  |  |  |  |  |
| **Surplus/(Deficit) for the** |  |  |  |  |  |  |  |  |
| **year** |  |  |  |  |  |  |  |  |

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|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **(250 010 824)** | **257 326 568** | **7 315 744** | **-** |  | **7 315 744** | **(271 541 965)** |  | **(278 857 709)** | **(3 712)%** | **109 %** |
| 77 081 000 | 81 116 476 | 158 197 476 | - |  | 158 197 476 | 153 405 002 |  | (4 792 474) | 97 % | 199 % |
| 483 | - | 483 | - | 483 | 9 589 | 9 106 | 1 985 % | 1 985 % |
| **(172 929 341)** | **338 443 044** | **165 513 703** | **-** |  | **165 513 703 (118 127 374)** | |  | **(283 641 077)** | **(71)%** | **68 %** |

### Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

### Presentation currency

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

### Significant judgements and sources of estimation uncertainty

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

### Trade and other receivables

The municipality assesses its trade 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 is calculated on risk basis taking into account the number cut-offs, handed over status, indigent and payment ratio of each consumer debtor. The amount of loss is measured as the difference between the consumer debtor carrying amount and the estimated future cash flows.

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

An allowance for inventory to write stock down to the lower of cost or net realisable value. Management have made estimates of service potential expected to be realized from distribution or use.

### Fair value estimation

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 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 making the above mentioned estimates and judgement, management considers the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 17 (Property, Plant and Equipment), GRAP 12 (Inventory), GRAP 31 (Intangible Assets), GRAP 26 (Impairment of cash generating assets) and GRAP 21 (Impairment of Non Cash Generating Assets). In particular, the calculation of the recoverable service amount for property, plant and equipment and intangible assets and the net realisable value for inventories involves significant judgement by management.

### 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 18 - Provisions.

### Significant judgements and sources of estimation uncertainty (continued) Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. 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. The most appropriate discount rate that reflects the time value of money is with reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

### Effective interest rate

The municipality used the government bond rate to discount future cash flows.

### Allowance for debt impairment

On receivables 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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### Investment property

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

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

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

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

Where investment property is acquired through a non-exchange transaction, its cost is the 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.

### Investment property (continued) Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date.

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

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.

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### Property, plant and equipment

Property, plant and equipment are tangible non-current 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 at acquisition date or in the case of donated assets or assets acquired by grant, the deemed cost being the fair value of the asset on initial recognition.

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. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site in which it is located.

Where an asset is acquired through a non-exchange transaction, its cost is the 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 (continued)

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Expenditure incurred is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces major parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

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 | 30 years |
| Landfill site | Straight line | 24 years |
| Infrastructure | Straight line | 10-30 years |
| Community | Straight line | 15-30 years |
| Other property, plant and equipment | Straight line | 3-15 years |

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

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

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

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

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

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

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

### 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 a 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.

### Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

* + 1. subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
    2. if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
    3. 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.

### Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

* it is technically feasible to complete the asset so that it will be available for use.
* there is an intention to complete and use or sell it.
* there is an ability to use or sell it.
* it will generate probable future economic benefits or service potential.
* there are available technical, financial and other resources to complete the development and to use or sell the asset.
* the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

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

### Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

### Item Useful life

Computer software 5 years

Intangible assets are derecognised:

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

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

### Heritage assets

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.

### 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 that qualifies for recognition as an asset shall be 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.

### 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.

### 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.

### Financial instruments (continued)

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.

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, the municipality shall estimate cash flows considering all contractual terms of the financial instrument 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, 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 municipality shall use the contractual cash flows over the full contractual term of the financial instrument or group of financial instruments.

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

A financial asset is:

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

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 municipality.

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

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

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 municipality 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:

* + - are held for trading.

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

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

### 1.8 Financial instruments (continued) Classification

The municipality 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:

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### Financial assets Category

Consumer receivables Financial asset measured at amortised cost

Cash and cash equivalents Financial asset measured at amortised cost

Long term receivables Financial asset measured at amortised cost Other receivables from exchange transactions Financial asset measured at amortised cost Other receivables from non-exchange transactions Financial asset measured at amortised cost Other financial assets (Listed shares) Financial asset measured at fair value

The municipality 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:

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### Financial liabilities Category

Payables from exchange transactions Financial liability measured at amortised cost

Other financial liability (Loans) Financial liability measured at amortised cost

Finance lease liability Financial liability measured at amortised cost

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### Initial recognition

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

The municipality recognises financial assets using trade date accounting.

### Initial measurement of financial assets and financial liabilities

The municipality 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 municipality measures a financial asset and financial liability initially at its fair value.

### Financial instruments (continued)

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

The municipality 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.

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 rate 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 in the case of a financial asset.

### 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 municipality 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, the 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.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

### 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 municipality 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.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

### Financial assets measured at amortised cost:

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

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such financial assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

### 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.

### Derecognition Financial assets

The municipality derecognises a financial asset only when:

* + - the contractual rights to the cash flows from the financial asset expire, are settled or waived;
    - the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
    - the municipality, 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 municipality :
      * 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.

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.

### Financial liabilities

The municipality 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, expired or waived.

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality 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).

### Leases

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

### Leases (continued) 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 on the remaining balance of the liability.

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

### Operating leases - lessor

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

### Operating leases - lessee

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

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term. Any contigent rents are recognised separately as an expense in the period in which they are incurred.

### 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.

### Inventories (continued) Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the first-in-first-out method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

### Other arrangements

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any write down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

### 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.

### 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.

### 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.

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

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.

### 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.

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;
    - its value in use; 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.

### 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.

### 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.

### 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.

### Impairment of non-cash-generating assets (continued) Value in use

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

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

### 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.

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, 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.

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.

### Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### Employee benefits

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

### Employee benefits (continued)

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.

### 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 municipality 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 municipality 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 municipality 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.

### 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 municipality 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.

### 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 municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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 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 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 municipality measure the resulting asset at the lower of:

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

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

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

The municipality 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 municipality 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.

### Employee benefits (continued)

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality 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 municipality 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 municipality 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 municipality 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 presented as the net of the amount recognised for a reimbursement.

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

### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

### 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.

### Provisions and contingencies (continued)

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

Contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the municipality

A constructive obligation to restructure arises only when an municipality:

* + - 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 contingent liability is:

* a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
* a present obligation that arises from past events but is not recognised because
  + it is not probably that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  + the amount of the obligation cannot be measured with sufficient reliability

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 48.

### Provisions and contingencies (continued) Decommissioning, restoration and similar liability

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

measured using the cost model:

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

1.11 and 1.12.

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

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

### 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.

### 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.

### Revenue from exchange transactions (continued) Rendering of services

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

* + - the amount of revenue can be measured reliably;
    - it is probable that the economic benefits or service potential associated with the transaction will flow to the 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 services performed to date as a percentage of total services to be performed.

### Interest 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.

Dividends or their equivalents are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

### 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.

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.

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

### 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.

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

### 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.

### Rates including collection charges and penalties

Revenue from rates, including collection charges and penalty interest, is recognised when:

* it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
* the amount of the revenue can be measured reliably; and
* there has been compliance with the relevant legal requirements

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

### 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.

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

### Fines

The municipality initialy recognise the revenue and receivables based on fair value which has been determined as the issued fine or penalty payable by the offender when the fine or penalty was issued.

Subsequent to initial measurement the municipality at the end of each reporting period assess the receivables from fines for impairment.

### Grants

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

### 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.

### Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality , and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality . The amount of borrowing costs eligible for capitalisation is determined as follows:

* + - Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
    - Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

* + - expenditures for the asset have been incurred;
    - borrowing costs have been incurred; and
    - activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.10, 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### Comparative figures

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

### 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.

### 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.

### Irregular expenditure

Irregular expenditure is expenditure incurred that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), theMunicipal 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.

All expenditure relating to irregular 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.

### Budget information

The municipality approved budget is prepared on accrual basis and presented by programmes linked to perfomance outcome objectives.

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

### Budget information (continued)

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 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.

### Events after reporting date

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

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

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

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

### Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

* approved and contracted commitments;
* where the expenditure has been approved and the contract has been awarded at the reporting date; and
* where disclosure is required by a specific standard of GRAP.

# Notes to the Annual Financial Statements

Figures in Rand 2015 2014

### New standards and interpretations

* 1. **Standards and interpretations issued, but not yet effective**

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

### GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements. The impact of this standard is currently being assessed.

### GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements. The impact of this amendment is currently being assessed.

### GRAP 106: Transfers of functions between entities not under common control

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

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements. The impact of this amendment is currently being assessed.

### GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements. The impact of this amendment is currently being assessed.

### GRAP 7 (as revised 2010): Investments in Associates

Paragraphs .03 and .42 were amended by the Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107]. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .22, .28 and .38 and added paragraph .24. An entity shall apply these amendments and addition when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

An entity shall apply this amendment for annual financial statements covering periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107].

The municipality expects to adopt the amendment for the first time in the 2016 annual financial statements. The impact of this amendment is currently being assessed.

### GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

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

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard. The impact of this standard is currently being assessed.

### GRAP108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard. The impact of this standard is currently being assessed.

### IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

### DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP

The objective of this Directive is to permit an entity to change its measurement bases following the initial adoption of Standards of GRAP. The change is based on the principles in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors. This Directive should therefore be read in conjunction with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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

In applying paragraph 13(b) of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors, this Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Subsequent to the application of this Directive, an entity will be allowed to change its accounting policy in future periods subject to it meeting the requirements in the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements. The impact of this standard is currently being assessed.

|  |  |  |
| --- | --- | --- |
| **Notes to the Annual Financial Statements** |  | |
| Figures in Rand | 2015 | 2014 |
| **3. Investment property** |  |  |
| 2015 | 2014 |  |

### Cost /

**Accumulated Carrying value Cost /**

**Accumulated Carrying value**

**Valuation**

**depreciation and accumulated impairment**

**Valuation**

**depreciation and accumulated impairment**

Investment property 1 425 166 000 - 1 425 166 000 1 377 162 058 - 1 377 162 058

### Reconciliation of investment property - 2015

**Opening balance**

**Disposals Fair value**

**adjustments**

**Total**

Investment property 1 377 162 058 (15 973 100) 63 977 042 1 425 166 000

### Reconciliation of investment property - 2014

**Opening balance**

**Disposals Transfers Fair value**

**adjustments**

**Total**

Investment property 1 402 659 499 (76 316 390) (33 455 680) 84 274 629 1 377 162 058

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.

### Details of valuation

The effective date of the revaluations was 30 June 2015. Revaluations were performed by an independent valuer from Lutendo Property Group (Pty) Ltd , the valuer is qualified and registered as a Professional Valuer with the institute of the South African Council for Property Valuers Profession .Lutendo Property Group (Pty) Ltd is not connected to the municipality and have experience in location and category of the investment property being valued.

Valuations are done on a more scientific approach, and values are calculated on accepted valuation principles using researched variable inputs.

**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 |  |  | 409 463 797 | - | 409 463 797 | 413 605 938 | - | 413 605 938 |
| Buildings |  |  | 879 597 117 | (589 413 060) | 290 184 057 | 869 440 516 | (583 368 407) | 286 072 109 |
| Infrastructure |  |  | 4 323 015 827 | (3 153 921 784) | 1 169 094 043 | 4 256 685 954 | (3 062 991 878) | 1 193 694 076 |
| Assets under construction |  |  | 152 719 888 | - | 152 719 888 | 132 423 140 | - | 132 423 140 |
| Landfill site |  |  | 192 620 878 | (133 986 119) | 58 634 759 | 190 411 112 | (129 143 631) | 61 267 481 |
| Leased movable assets |  |  | 835 474 | (289 800) | 545 674 | 1 416 014 | (1 139 521) | 276 493 |
| Other property, plant and equipment |  |  | 137 998 200 | (94 479 680) | 43 518 520 | 137 221 217 | (90 845 732) | 46 375 485 |
| **Total** |  |  | **6 096 251 181** | **(3 972 090 443)** | **2 124 160 738** | **6 001 203 891** | **(3 867 489 169)** | **2 133 714 722** |
| **Reconciliation of property, plant and equipment - 2015** |  |  |  |  |  |  |  |  |
| **Opening Additions balance**  Land 413 605 938 - | **Donated assets**  - | **Disposals**  (4 142 141) | **Fair valued assets**  - | **Leased assets expired**  - | **Transfers**  - | **Depreciation**  - | **Impairment loss**  - | **Total**  409 463 797 |
| Buildings 286 072 109 - | 7 689 430 | (5 000 180) | - | - | 25 197 803 | (22 974 805) | (800 300) | 290 184 057 |
| Infrastructure 1 193 694 076 - | 10 252 412 | (4 914 355) | - | - | 81 996 222 | (110 324 600) | (1 609 713) | 1 169 094 042 |
| Assets under construction 132 423 140 127 851 296 | - | (360 523) | - | - | (107 194 025) | - | - | 152 719 888 |
| Landfill site 61 267 481 1 147 166 | 5 270 200 | (4 171 599) | - | - | - | (4 878 489) | - | 58 634 759 |
| Leased movable assets 276 493 569 263 | - | (12 443) | - | - | - | (287 639) | - | 545 674 |
| Other property, plant and 46 375 485 1 980 108 equipment | 7 937 705 | (2 764 337) | 1 489 490 | 434 009 | - | (11 890 051) | (43 889) | 43 518 520 |
| **2 133 714 722 131 547 833** | **31 149 747** | **(21 365 578)** | **1 489 490** | **434 009** | **-** | **(150 355 584)** | **(2 453 902)** | **2 124 160 737** |

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

### Property, plant and equipment (continued)

**Opening balance**

**Additions Donated assets Disposals Newly identified**

**assets**

**Transfers Depreciation Impairment loss Total**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Land | 416 613 086 | - | - | (3 007 148) | - | - | - | - | 413 605 938 |
| Buildings | 296 122 921 | - | 1 285 902 | (1 422 292) | - | 14 181 676 | (24 053 951) | (42 147) | 286 072 109 |
| Infrastructure | 1 193 419 890 | - | 12 633 408 | (5 625 999) | - | 139 244 319 | (144 139 228) | (1 838 314) | 1 193 694 076 |
| Assets Under construction | 151 172 769 | 136 264 879 | - | (1 588 513) | - | (153 425 995) | - | - | 132 423 140 |
| Landfill site | 66 460 649 | - | - | - | - | - | (5 193 168) | - | 61 267 481 |
| Leased assets | 2 064 685 | 282 770 | - | - | - | - | (2 070 962) | - | 276 493 |
| Other property, plant and equipment | 41 241 705 | 4 350 156 | 9 013 719 | - | 1 274 455 | 1 954 386 | (11 118 757) | (340 179) | 46 375 485 |
|  | **2 167 095 705** | **140 897 805** | **22 933 029** | **(11 643 952)** | **1 274 455** | **1 954 386** | **(186 576 066)** | **(2 220 640)** | **2 133 714 722** |
| **Pledged as security** |  |  |  |  |  |  |  |  |  |
| Carrying value of assets pledged as security: |  |  |  |  |  |  |  |  |  |

Office equipment 645 463 276 493

Included other property plant and equipment is office equipment subject to finance lease. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 15 of the finance lease obligations.

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.

### Intangible assets

2015 2014

### Cost /

**Accumulated Carrying value Cost /**

**Accumulated Carrying value**

**Valuation**

**amortisation and accumulated impairment**

**Valuation**

**amortisation and accumulated impairment**

Computer software, other 1 196 821 (212 878) 983 943 1 142 291 (55 168) 1 087 123

### Reconciliation of intangible assets - 2015

**Opening balance**

**Additions Disposals Amortisation Total**

Computer software, other 1 087 123 94 142 (20 965) (176 357) 983 943

### Reconciliation of intangible assets - 2014

**Opening balance**

**Additions Disposals Total**

Computer software, other 85 394 1 045 863 (44 134) 1 087 123

### Pledged as security

All intangible assets are held under freehold interests and no intangible assets have been pledged as security for any liabilities of the municipality

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.

### Heritage assets

2015 2014

### Cost /

**Accumulated Carrying value Cost /**

**Accumulated Carrying value**

**Valuation**

**impairment losses**

**Valuation**

**impairment losses**

Art Collections, antiquities and exhibits

4 744 543 - 4 744 543 4 744 543 - 4 744 543

### Reconciliation of heritage assets 2015

**Opening balance**

**Total**

|  |  |  |
| --- | --- | --- |
| Art Collections, antiquities and exhibits | 4 744 543 | 4 744 543 |
| **Reconciliation of heritage assets 2014** |  |  |
| Art Collections, antiquities and exhibits | **Opening balance**  4 744 543 | **Total**  4 744 543 |
| **Heritage assets valuation** |  |  |

Where the entity holds heritage assets, but has not accounted for such assets using GRAP 17 or using an accounting policy based on GRAP 103, consider whether disclosure, including a description of the nature and extent, of these assets is useful to the users of the annual financial statements.

### Pledged as security

No heritage assets have been pledged as security for any liabilities of the municipality.

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

|  |  |  |
| --- | --- | --- |
| **7. Other financial assets**  **Listed shares** |  | |
| Old mutual shares | 1 249 507 | 1 161 686 |
| Sanlam shares | 162 665 | 151 411 |
|  | **1 412 172** | **1 313 097** |
| **At amortised cost**  ABSA Fixed deposit | 8 403 127 | 15 347 690 |
| The ABSA balance is held as security for the DBSA loan reference number ML 13427/102 which had a balance of R 2 746 512 as at year end (2014: R 3 010 016) |  |  |
| **Total other financial assets** | **9 815 299** | **16 660 787** |
| **Non-current assets**  At fair value | 1 412 172 | 1 313 097 |
| At amortised cost | 8 403 127 | 15 347 690 |
|  | **9 815 299** | **16 660 787** |

### 8. Employee benefit obligations Defined benefit plan

**Post retirement medical aid plan**

The municipality provides certain post - retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit funding method.

|  |  |  |
| --- | --- | --- |
| **The amounts recognised in the statement of financial position are as follows:**  **Carrying value** |  | |
| Present value of the defined benefit obligation-wholly unfunded | (48 634 864) | (55 949 864) |
| Movement in defined benefit obligation | (1 965 000) | 7 315 000 |
|  | **(50 599 864)** | **(48 634 864)** |
| Non-current liabilities | (49 431 864) | (47 473 864) |
| Current liabilities | (1 168 000) | (1 161 000) |
|  | **(50 599 864)** | **(48 634 864)** |
| Valuation of assets |  |  |

At the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets had been set aside to meet this liability.

|  |  |  |
| --- | --- | --- |
| **Changes in the present value of the defined benefit obligation are as follows:**  Opening balance | (48 634 864) | (55 949 864) |
| Benefits paid | 3 154 000 | 3 016 000 |
| Net expense recognised in the statement of financial performance | (5 119 000) | 4 299 000 |
|  | **(50 599 864)** | **(48 634 864)** |
| **Net expense recognised in the statement of financial performance** |  |  |
| Current service cost | (1 161 000) | (1 384 000) |
| Interest cost | (4 263 000) | (4 333 000) |
| Actuarial (gains) losses | 305 000 | 10 016 000 |
|  | **(5 119 000)** | **4 299 000** |
| **Key assumptions used** |  |  |
| Assumptions used at the reporting date: |  |  |
| Discount rates | - % | 8.94 % |
| Consumer Price Index | - % | 7.05 % |
| Medical Aid Contribution Inflation | - % | 8.05 % |
| Net Effective Discount Rate | - % | 0.82 % |

Two most important financial variables used in our valuation are the discount- and medical aid inflation rates.The nominal and zero curves (supplied by Johannesburg Stock Exchange ) were used to determine the discount rates and CPI assumptions.

### Employee benefit obligations (continued)

The Net Effective Discount Rate is different for each relevant time period of the yield curves’ various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

The Medical Aid Contribution Inflation rate was set with reference to the past relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period. South Africa has experienced high health care cost inflation in recent years. The annualised compound rates of increase for the last ten years show that registered medical aid schemes contribution inflation outstripped general CPI by almost 3% year on year. These increases are not considered to be sustainable and have assumed that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill- health and early retirements.

### Actuarial gains

Changes in economic variables – In this year’s valuation we used the nominal and real zero curves as at 28 May 2015 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. As a result the interest rates, bond yields and inflation figures changed significantly. This caused an increase in liability of around R 415 000.

Changes in membership – There were a few changes in the membership over the past financial year. For example, the average age decreased over the past financial year and the number of pensioners reduced. This, as well as other smaller assumptions changes resulted in a decrease in the liability of around R 720 000.

### Sensitivity analysis

The valuation is only an estimate of the cost of providing post-employment medical aid benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables i.e

* 20% increase/decrease in the assumed level of mortality;
* 1% increase/decrease in the Medical Aid inflationAdditi;onal text

### Mortality rate

Deviations from the assumed level of mortality experience of the current employees and the continuation members (pensioners) will have a large impact on the actual cost to the Municipality. If the actual rates of mortality turns out higher than the rates assumed in the valuation basis, the cost to the Municipality in the form of subsidies will reduce and vice versa.

### Medical aid inflation

The cost of the subsidy after retirement is dependent on the increase in the contributions to the medical aid scheme before and after retirement. The rate at which these contributions increase will thus have a direct effect on the liability of future retirees.

**Mortality rate** -20% Mortality

rate

Valuation assumptions

+20% Mortality rate

|  |  |  |  |
| --- | --- | --- | --- |
| Total Accrued Liability | 47 221 000 | 50 599 000 | 54 702 000 |
| Current Service Cost | 4 189 000 | 4 500 000 | 4 877 000 |
| Interest Cost | 1 071 000 | 1 168 000 | 1 287 000 |
|  | **52 481 000** | **56 267 000** | **60 866 000** |
| **Medical aid inflation**  Total Accrued Liability | -1% Medical aid inflation  48 675 000 | Valuation assumptions  50 599 000 | +1% Medical aid inflation  52 707 000 |
| Current Service Cost | 4 319 000 | 4 500 000 | 4 699 000 |
| Interest Cost | 1 036 000 | 1 168 000 | 1 335 000 |
|  | **54 030 000** | **56 267 000** | **58 741 000** |

### Long term receivables

Credit quality of long term receivables

The credit quality of long term receivables from exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality.The municipality continously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credir risk control. No external credit rating is performed.

The municipality enforces its approved credit policy to ensure the recovery of long term receivables. The balance of long term receivables are as follows.

|  |  |  |
| --- | --- | --- |
| **Summary of long term debtors**  Gross long term receivables | 110 323 495 | 92 183 207 |
| Less: Allowance for impairment | (82 294 953) | (72 952 742) |
|  | **28 028 542** | **19 230 465** |
| Short term portion of long term debtors | 3 544 871 | 4 313 614 |
| Net long term receivables | 28 028 542 | 23 544 078 |
| **10. Inventories** |  |  |
| Consumable stores | 10 100 751 | 9 339 405 |
| Water | 599 949 | 636 790 |
|  | **10 700 700** | **9 976 195** |
| **11. Receivables from exchange transactions** |  |  |
| Trade debtors | 89 351 | 41 147 |
| Other receivables | 7 903 956 | 10 464 041 |
|  | **7 993 307** | **10 505 188** |

|  |  |  |
| --- | --- | --- |
| **12. Receivables from non-exchange transactions**  Fines | 5 277 958 | 5 492 920 |
| Government grants and subsidies | 6 565 919 | 5 729 984 |
| Propery rates | 5 817 797 | 19 908 830 |
|  | **17 661 674** | **31 131 734** |
| **Receivables from non-exchange transactions pledged as security** |  |  |
| None of the receivables from non-exchange transactions were pledged as security. |  |  |
| **Property rates** |  |  |
| **Summary of property rates**  Gross balance | 66 543 813 | 59 630 592 |
| Less: allowance for impaired | (60 724 355) | (47 658 287) |
|  | **5 819 458** | **11 972 305** |
| **Summary of rates per ageing**  Current (0-30 days) | 1 307 368 | 2 307 711 |
| 31-60 days | 1 482 761 | 1 822 058 |
| 61-90 days | 1 245 640 | 1 491 032 |
| 91-120 days | 1 147 141 | 1 449 091 |
| >120 days | 61 370 049 | - |
| Allowance for impairment | (60 882 366) | (47 658 287) |
|  | **5 670 593** | **(40 588 395)** |
| **Consumers**  Current (0-30 days) | 523 241 | 789 200 |
| 31-60 days | 469 092 | 586 322 |
| 61-90 days | 343 516 | 469 747 |
| 91-120 days | 334 468 | 562 780 |
| >121 days | 25 878 171 | 22 884 569 |
| Allowance for impairment | (26 057 988) | (20 340 128) |
|  | **1 490 500** | **4 952 490** |
| **Industrial/ Commercial**  Current (0-30 days) | 715 185 | 1 287 366 |
| 31-60 days | 943 057 | 1 004 578 |
| 61-90 days | 832 965 | 907 238 |
| 91-120 days | 744 925 | 775 800 |
| >121 days | 27 564 905 | 22 352 839 |
| Allowance for impairment | (26 815 923) | (20 555 351) |
|  | **3 985 114** | **5 772 470** |
| **National and Provincial government**  Current (0-30 days) | 36 014 | 112 758 |
| 31-60 days | 37 641 | 118 132 |
| 61-90 days | 36 379 | 49 910 |
| 91-120 days | 38 457 | 49 730 |
| >121 days | 5 402 066 | 4 367 633 |
| Allowance for impairment | (5 359 001) | (4 070 888) |
|  | **191 556** | **627 275** |
| **Other**  Current (0-30 days) | 32 925 | 118 387 |

|  |  |  |
| --- | --- | --- |
| **12. Receivables from non-exchange transactions (continued)**  31-60 days | 32 972 | 113 026 |
| 61-90 days | 32 780 | 64 138 |
| 91-120 days | 29 291 | 60 782 |
| > 121 days | 2 515 761 | 2 959 996 |
| Allowance for impairment | (2 491 443) | (2 691 920) |
|  | **152 286** | **624 409** |
| **Reconciliation of provision for impairment of receivables from property rates** |  |  |
| Opening balance | (47 658 287) | (37 975 183) |
| Provision for impairment | (13 066 068) | (9 683 104) |
|  | **(60 724 355)** | **(47 658 287)** |
| **Fines** |  |  |
| **Summary of fines**  Opening balance | 50 672 101 | 34 650 874 |
| Additions | 18 528 243 | 16 021 227 |
| Provision for impairment | (63 922 387) | (45 179 181) |
|  | **5 277 957** | **5 492 920** |
| **Reconciliation of provision for impairment of receivables from fines**  Opening balance | (45 179 181) | (25 175 581) |
| Provision for impairment | (23 685 906) | (20 003 600) |
| Amounts written off as uncollectible | 4 942 700 | - |
|  | **(63 922 387)** | **(45 179 181)** |
| **Credit quality of receivables from non-exchange transactions** |  |  |

The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Assessment rate receivables are billed monthly. No interest is charged on these receivables until the 7th day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

|  |  |  |
| --- | --- | --- |
| **13. Consumer debtors**  **Gross balances** |  | |
| Electricity | 130 520 571 | 141 138 894 |
| Water | 338 502 370 | 303 751 672 |
| Sewerage | 147 611 267 | 125 157 695 |
| Refuse | 136 008 303 | 118 822 482 |
| Other | 93 565 636 | 85 183 044 |
|  | **846 208 147** | **774 053 787** |
| **Less: Allowance for impairment** |  |  |
| Electricity | (76 650 607) | (66 279 859) |
| Water | (281 439 998) | (233 920 241) |
| Sewerage | (133 199 381) | (111 447 867) |
| Refuse | (124 014 502) | (103 500 135) |
| Other | (91 302 227) | (78 713 649) |
|  | **(706 606 715)** | **(593 861 751)** |
| **Net balance** |  |  |
| Electricity | 53 869 964 | 74 859 035 |
| Water | 57 062 372 | 69 831 430 |
| Sewerage | 14 411 886 | 13 709 828 |
| Refuse | 11 993 801 | 15 322 347 |
| Other | 2 263 408 | 6 469 395 |
|  | **139 601 431** | **180 192 035** |
| **Electricity** |  |  |
| Current (0 -30 days) | 30 812 112 | 52 776 210 |
| 31 - 60 days | 3 755 462 | 9 544 823 |
| 61 - 90 days | 2 950 955 | 2 617 600 |
| 91 - 120 days | 2 294 705 | 1 750 637 |
| > 121 days | 90 707 337 | 74 449 624 |
| Allowance for impairment | (76 650 607) | (66 279 859) |
|  | **53 869 964** | **74 859 035** |
| **Water** |  |  |
| Current (0 -30 days) | 29 397 804 | 55 763 416 |
| 31 - 60 days | 9 315 974 | 6 836 526 |
| 61 - 90 days | 6 375 638 | 6 625 128 |
| 91 - 120 days | 6 665 476 | 6 040 430 |
| > 121 days | 286 747 478 | 228 486 171 |
| Allowance for impairment | (281 439 998) | (233 920 241) |
|  | **57 062 372** | **69 831 430** |
| **Sewerage** |  |  |
| Current (0 -30 days) | 4 417 732 | 3 440 946 |
| 31 - 60 days | 3 719 054 | 2 705 136 |
| 61 - 90 days | 2 454 413 | 2 439 698 |
| 91 - 120 days | 2 293 214 | 2 321 106 |
| > 121 days | 134 726 854 | 113 955 452 |
| Allowance for impairment | (133 199 381) | (111 152 510) |
|  | **14 411 886** | **13 709 828** |
| **Refuse** |  |  |
| Current (0 -30 days) | 1 326 826 | 2 330 239 |
| 31 - 60 days | 2 442 977 | 2 240 871 |

|  |  |  |
| --- | --- | --- |
| **13. Consumer debtors (continued)**  61 - 90 days | 1 695 220 | 2 011 214 |
| 91 - 120 days | 1 599 077 | 1 980 058 |
| > 121 days | 128 944 203 | 110 260 100 |
| Allowance for impairment | (124 014 502) | (103 500 135) |
|  | **11 993 801** | **15 322 347** |
| **Other**  Current (0 -30 days) | 407 140 | 1 412 926 |
| 31 - 60 days | 149 324 | 814 499 |
| 61 - 90 days | 394 261 | 749 127 |
| 91 - 120 days | 261 027 | 724 040 |
| > 121 days | 92 353 884 | 81 482 452 |
| Allowance for impairment | (91 302 228) | (78 713 649) |
|  | **2 263 408** | **6 469 395** |
| **Summary of debtors by customer classification** |  |  |
| **Consumers**  Current (0 -30 days) | 36 334 887 | 98 853 029 |
| 31 - 60 days | 16 629 682 | 19 021 128 |
| 61 - 90 days | 11 896 512 | 12 172 076 |
| 91 - 120 days | 11 272 795 | 11 284 945 |
| > 121 days | 646 711 429 | 561 468 483 |
|  | 722 845 305 | 702 799 661 |
| Less: Allowance for impairment | (629 097 558) | (553 856 167) |
|  | **93 747 747** | **148 943 494** |
| **Industrial/ commercial**  Current (0 -30 days) | 27 642 064 | 11 319 502 |
| 31 - 60 days | 1 984 285 | 1 919 352 |
| 61 - 90 days | 1 372 102 | 1 424 319 |
| 91 - 120 days | 1 184 068 | 1 317 258 |
| > 121 days | 36 595 535 | 33 009 804 |
|  | 68 778 054 | 48 990 235 |
| Less: Allowance for impairment | (30 706 749) | (23 399 700) |
|  | **38 071 305** | **25 590 535** |
| **National and provincial government**  Current (0 -30 days) | 3 048 859 | 2 382 274 |
| 31 - 60 days | 541 430 | 782 715 |
| 61 - 90 days | 463 537 | 441 784 |
| 91 - 120 days | 432 830 | 118 410 |
| > 121 days | 11 197 308 | 1 898 802 |
|  | 15 683 964 | 5 623 985 |
| Less: Allowance for impairment | (10 163 309) | (3 758 411) |
|  | **5 520 655** | **1 865 574** |
| **Other**  Current (0 -30 days) | 481 183 | 2 708 550 |
| 31 - 60 days | 179 692 | 418 660 |
| 61 - 90 days | 121 310 | 418 660 |
| 91 - 120 days | 195 547 | 351 657 |
| > 121 days | 31 260 530 | 13 289 640 |
| Less: Allowance for impairment | (30 965 492) | (12 849 208) |

|  |  |  |
| --- | --- | --- |
| **13. Consumer debtors (continued)** | **1 272 770** | **4 337 959** |
| **Total**  Current (0 -30 days) | 67 506 993 | 115 263 355 |
| 31 - 60 days | 19 335 089 | 22 141 855 |
| 61 - 90 days | 13 853 462 | 14 442 768 |
| 91 - 120 days | 13 084 841 | 12 816 271 |
| > 121 days | 732 429 496 | 609 389 538 |
|  | 846 209 881 | 774 053 787 |
| Less: Allowance for impairment | (706 608 449) | (593 861 751) |
|  | **139 601 432** | **180 192 036** |
| **Reconciliation of allowance for impairment**  Balance at beginning of the year | (593 861 751) | (494 141 620) |
| Contributions to allowance | (112 746 698) | (99 720 131) |
|  | **(706 608 449)** | **(593 861 751)** |
| **Consumer debtors pledged as security** |  |  |
| No consumer debtors have been pledged as security for any liabilities of the municipality. |  |  |
| **Credit quality of consumer debtors** |  |  |

The credit quality of consumer receivables from exchange transactions that are neither past nor due nor impaired can be assessed for indicators of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers and identified groups by reference to average payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Consumer receivables are billed monthly. No interest is charged on consumer receivables until the 7th day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

Assessment rate receivables are billed monthly. No interest is charged on these receivables until the 7th day of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality enforces its approved credit control policy to ensure the recovery of consumer receivables.Deposits are required to be paid for all water accounts opened.

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

|  |  |  |
| --- | --- | --- |
| **14. Cash and cash equivalents**  Cash and cash equivalents consist of: |  | |
| Cash on hand | 22 060 | 22 060 |
| Bank balances | 12 286 290 | 13 437 055 |
| Short-term deposits | 6 088 106 | 2 773 284 |
|  | **18 396 456** | **16 232 399** |
| **Credit quality of cash at bank and short term deposits, excluding cash on hand** |  |  |

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings.

### 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** |
| ABSA Primary Accout | 1 727 433 | 16 341 664 | 5 965 531 | - | 13 437 055 | | 5 976 030 |
| Standard Bank Account | 9 666 366 | 1 806 871 | - | 12 286 290 | - | | - |
| ABSA 32 days | 348 454 | 337 006 | 327 799 | 348 454 | 337 006 | | 327 799 |
| ABSA MIG Funds Account | 58 260 | 55 431 | 28 718 862 | 58 260 | 55 431 | | 28 718 862 |
| ABSA Cheque Account | 304 986 | 289 009 | 189 062 | 304 986 | 289 009 | | 18 902 |
| ABSA Call Account | 910 349 | 2 091 837 | 91 044 | 910 349 | 2 091 837 | | 91 044 |
| Standard Bank Account- MIG | 3 997 550 | - | - | 3 997 550 | - | | - |
| Standard Bank Account- Emba Sub  Standard Bank Account- Traffic | 460 490  8 016 | -  - | -  - | 460 490  8 016 | -  - | | -  - |
| **Total** | **17 481 904** | **20 921 818** | **35 292 298** | **18 374 395** | **16 210 338** | | **35 132 637** |
| **15. Finance lease obligation** |  |  |  |  |  | |  |
| **Minimum lease payments due**  - within one year |  |  |  |  | 577 031 | | 232 633 |
| - in second to fifth year inclusive |  |  |  |  | 278 264 | | 174 264 |
|  |  |  |  |  | 855 295 | | 406 897 |
| less: future finance charges | | | | | | (137 942) | (39 420) |
| **Present value of minimum lease payments** | | | | | | **717 353** | **367 477** |
| **Present value of minimum lease payments due**  - within one year | | | | | | 457 220 | 204 437 |
| - in second to fifth year inclusive | | | | | | 260 132 | 163 040 |
|  | | | | | | **717 352** | **367 477** |
| Non-current liabilities | | | | | | 260 133 | 163 040 |
| Current liabilities | | | | | | 457 220 | 204 437 |
|  | | | | | | **717 353** | **367 477** |
| It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases. | | | | | |  |  |
| The average lease term was 3 years and the average effective borrowing rate was 9%(2014: 9%). | | | | | |  |  |

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

|  |  |  |
| --- | --- | --- |
| **16. Unspent conditional grants**  **Unspent conditional grants and receipts comprises of:** |  | |
| **Unspent conditional grants and receipts**  Municipal Infrastructure Grant | 10 964 066 | - |
| Sports & Development Grant | 453 685 | 475 585 |
| Municipal system improvement Grant | 847 | 1 690 000 |
| Housing grant | - | 420 006 |
| SASOL | 15 116 475 | - |
|  | **26 535 073** | **2 585 591** |

The grant liability indicated the nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited. Fulfilled conditions and other contingencies attaching to government assistance that has been recognised as revenue and disclosed in the grant income note of the annual financial statements..

|  |  |  |
| --- | --- | --- |
| **17. Other financial liabilities**  **At amortised cost** |  | |
| Development Bank of South Africa | 12 431 548 | 16 704 232 |
| **Non-current liabilities**  At amortised cost | 7 785 026 | 12 551 952 |
| **Current liabilities**  At amortised cost | 4 646 522 | 4 152 280 |

### Provisions for landfill site

**Reconciliation of provisions for landfill site - 2015**

**Opening Balance**

**Change in site life**

**Reversed during the year**

**Change in discount factor**

**Price adjustments**

**Total**

Landfill site 93 548 708 578 874 2 160 095 (2 744 388) (3 067 779) 90 475 510

|  |  |  |  |
| --- | --- | --- | --- |
| **Reconciliation of provisions for landfill site - 2014** | **Opening** | **Additions** | **Total** |
| Landfill site | **Balance**  93 112 583 | 436 125 | 93 548 708 |
| Non-current liabilities |  | 88 052 441 | 91 388 613 |
| Current liabilities |  | 2 423 069 | 2 160 095 |
|  |  | **90 475 510** | **93 548 708** |
| **Landfill site rehabilitation provision** |  |  |  |

The municipality will incur licensing and rehabilitation cost of R90 475 511 (2014: R93 548 709) to restore landfill sites at the end of their use. As at 30 June 2015, this liability will be incurred over 0 to 24 years. Provision has been made for the net present value of the expenditures expected to be required to settle the obligation using the average cost of borrowings.

There are currently no long term assets set aside for closure of the site, therefore the liability is unfunded.

The increased in volumes of waste dumped resulted in change in site life calculations. The effect of the changes resulted in increase in provisions by R 578 874.

The net discount rate increased from 2.31% to 2.68% and thos reduced the liability at year end by R 2 744 388.

Contract price adjustment by service providers has since reduced, the net effect of the reduction in contract price reduced the provision by R 3 067 779.

### Long service award liability

The municipality operates a defined benefit plan for all its employees. The long service award liability is not a funded arrangement, i.e. no separate assets have been set aside to meet its liability.

Under the plan, a long service award is payable after 10 years of continuous service and every 5 years thereafter, until 45 years of service (inclusive) to employees. Furthermore, a retirement gift is payable on retirement to employees with 10 years or more service. The provision is an estimate of a long service based on historical staff turnover. No other long service benefits are provided to employees.

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

At year end, 1,405 (2014: 1,322) employees were eligible for long service awards.

### Valuation of assets

As at the valuation date, the long service leave award liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability.

|  |  |  |
| --- | --- | --- |
| The amounts recognised in the statement of financial position are as follows:  **Carrying amount** |  | |
| Present value | (20 919 000) | (19 621 999) |
| Increase in long service award liability | (3 035 000) | (1 297 000) |
|  | **(23 954 000)** | **(20 918 999)** |
| Non current liabilities | (21 648 000) | (18 937 999) |
| Current liabilities | (2 306 000) | (1 981 000) |
|  | **(23 954 000)** | **(20 918 999)** |
| **Changes in the present value of the long service award liability are as follows:**  Opening balance | (20 918 999) | (19 621 999) |
| Benefits paid | 2 041 000 | 2 007 000 |
| Net expense recognised in the statement of financial performance | (5 076 001) | (3 304 000) |
|  | **(23 954 000)** | **(20 918 999)** |
| **Net expense recognised in the statement of financial performance**  Current service cost | (1 981 000) | (1 891 000) |
| Interest cost | (1 664 001) | (1 503 000) |
| Actuarial gains/ (losses) | (1 431 000) | 90 000 |
|  | **(5 076 001)** | **(3 304 000)** |

The accrued liability is determined on the basis that each employee’s long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

The two most important financial variables used in our valuation are the discount rate and salary inflation.The nominal and zero curves (supplied by Johannesburg Stock Exchange ) were used to determine the discount rates and CPI assumptions.

The Net Effective Discount Rate is different for each relevant time period of the yield curves’ various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Salary inflation was set as the assumed value of CPI plus 1%. The salaries used in the valuation include an assumed increase on 01 July 2015 of 6.79%. As at the time of this valuation salaries' negotiations were still in progress. Therefore, for the purpose of performing this valuation, it was assumed that the previous year's increase rate of 6.79% is still relevant in this year's valuation.The next salary increase is assumed to take place on 01 July 2016.

### 19. Long service award liability (continued)

**Actuarial gain can be attributed to the following factors**

Changes in economic variables increased the liability.

Increase in employees entitled to othe long service award benefits.

### Financial variable

Discount Rate 7.96%

CPI (Consumer Price Inflation) 6.33%

Normal salary increase rate 7.33%

Expected retirement age - female 63 63

Expected retirement age - male 63 63

### 126 148

**Sensitivity analysis**

The valuation is only an estimate of the cost of providing Long service leave award benefits. The actual cost to the Municipality will be dependent on actual future levels of assumed variables and the demographic profile of the membership. In order to illustrate the sensitivity of our results to changes in certain key variables, the liabilities were recalculated using the following assumptions:

* 20% increase/decrease in the assumed level of withdrawal rates;
* 1% increase/decrease in the Normal Salary cost inflation.

### Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the Municipality in the form of benefits will reduce and vice versa.

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%.

### Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption.

|  |  |  |  |
| --- | --- | --- | --- |
| The effect of the above is as follows:  **Withdrawals** | -20% | Valuation | +20% |
|  | Withdrawal | Assumptions | Withdrawal |
|  | rate |  | rate |
| Total Accrued Liability | 22 678 000 | 23 954 000 | 25 384 000 |
| Current Service Cost | 2 117 000 | 2 306 000 | 2 527 000 |
| Interest Cost | 2 061 000 | 2 186 000 | 2 326 000 |
|  | **26 856 000** | **28 446 000** | **30 237 000** |
| **Normal salary inflation** | -1% Normal | Valuation | +1% Normal |
|  | salary inflation | Assumptions | salary inflation |
| Total Accrued Liability | 22 296 000 | 23 954 000 | 25 798 000 |
| Current Service Cost | 2 109 000 | 2 306 000 | 2 529 000 |
| Interest Cost | 2 026 000 | 2 186 000 | 2 363 000 |
|  | **26 431 000** | **28 446 000** | **30 690 000** |

|  |  |  |
| --- | --- | --- |
| **20. Payables from exchange**  Trade payables | 391 177 541 | 304 545 099 |
| Accrued leave pay | 19 490 575 | 18 449 575 |
| Accrued bonus | 11 778 335 | 7 507 857 |
| Retentions | 23 402 517 | 20 963 502 |
| Salary control | 323 098 | 679 322 |
| Other payables | 1 891 650 | 4 546 922 |
|  | **448 063 716** | **356 692 277** |
| **21. Payables from non-exchange transactions** |  |  |
| Unallocated receipts | 14 442 927 | 12 085 118 |
| **22. VAT payable** |  |  |
| Amount payable | 60 835 307 | 77 565 889 |
| **23. Consumer deposits** |  |  |
| Electricity & Water | 21 630 101 | 20 230 254 |
| **24. Revenue** |  |  |
| Service charges | 835 568 576 | 868 196 729 |
| Rental of facilities and equipment | 3 009 431 | 2 504 225 |
| Interest received on outstanding debtors | 24 479 491 | 35 270 431 |
| Income from agency services | 22 714 517 | 23 750 711 |
| Administration and management fees received | 8 571 308 | 11 264 756 |
| Fees earned | 6 481 386 | 6 670 112 |
| Incidental income | 915 669 | 1 617 613 |
| Other income | 3 919 137 | 1 463 857 |
| Interest received - investment | 2 645 122 | 1 666 607 |
| Dividends received | 42 093 | 57 242 |
| Property rates | 184 127 846 | 175 653 444 |
| Government grants & subsidies | 378 924 069 | 412 740 233 |
| Public contributions and donations | 9 589 | 90 261 |
| Fines, Penalties and Forfeits | 28 208 077 | 22 737 891 |
| Insurance claims | 734 319 | 413 587 |
|  | **1 500 350 630** | **1 564 097 699** |
| **The amount included in revenue arising from exchanges of goods or services is comprised of the following:**  Service charges | 835 568 576 | 868 196 729 |
| Rental of facilities and equipment | 3 009 431 | 2 504 225 |
| Interest received (trading) | 24 479 491 | 35 270 431 |
| Agency services | 22 714 517 | 23 750 711 |
| Administration and management fees received | 8 571 308 | 11 264 756 |
| Fees earned | 6 481 386 | 6 670 112 |
| Incidental income | 915 669 | 1 617 613 |
| Other income | 3 919 137 | 1 463 857 |
| Interest received - investment | 2 645 122 | 1 666 607 |
| Dividends received | 42 093 | 57 242 |
|  | **908 346 730** | **952 462 283** |

|  |  |  |
| --- | --- | --- |
| **24. Revenue (continued)**  **The amount included in revenue arising from non-exchange transactions is** |  | |
| **comprised of the following:**  Fines | 28 208 077 | 22 737 891 |
| Government grants & subsidies | 378 924 069 | 412 740 233 |
| Insurance claims | 734 319 | 413 587 |
| Property rates | 184 127 846 | 175 653 444 |
| Public contributions and donations | 9 589 | 90 261 |
|  | **592 003 900** | **611 635 416** |
| **25. Service charges** |  |  |
| Sale of electricity | 393 156 060 | 437 000 241 |
| Sale of water | 260 932 834 | 281 810 645 |
| Sewerage and sanitation charges | 85 719 069 | 65 379 190 |
| Refuse removal | 95 760 613 | 84 006 653 |
|  | **835 568 576** | **868 196 729** |
| **26. Other revenue** |  |  |
| Administration and management fees | 8 571 308 | 11 264 756 |
| Fees earned | 6 481 386 | 6 670 112 |
| Incidental income | 915 669 | 1 617 613 |
| Other income | 3 919 137 | 1 463 857 |
|  | **19 887 500** | **21 016 338** |
| **27. Other income** |  |  |
| Advertising income | 126 812 | 135 085 |
| Commission | 17 476 | 118 |
| Landfill site | 2 220 479 | - |
| Surplus monies | 28 212 | 30 286 |
| Skills development refund | 933 543 | 364 591 |
| Settlement discount | 152 330 | 203 349 |
| Refuse bin sales | 12 798 | 98 462 |
| Photocopying | 65 159 | 56 299 |
| Consent use | 120 026 | 213 862 |
| Sundry revenue | 242 303 | 361 805 |
|  | **3 919 138** | **1 463 857** |

Sundry revenue relates to other earnings that are not the primary income generating activities of the municipality such as library lost book fines and informal trading fees.

|  |  |  |
| --- | --- | --- |
| **28. Investment revenue**  **Dividend revenue** |  | |
| Other financial asset | 42 093 | 57 242 |
| **Interest revenue**  Short term investments | 2 284 887 | 1 114 580 |
| Bank | 360 235 | 552 027 |
|  | **2 645 122** | **1 666 607** |
|  | **2 687 215** | **1 723 849** |

|  |  |  |
| --- | --- | --- |
| **29. Property rates**  **Rates received** |  | |
| Residential | 112 012 540 | 108 010 079 |
| Commercial | 85 558 525 | 85 790 150 |
| State | 7 467 749 | 8 086 546 |
| Small holdings and farms | 927 438 | 2 511 594 |
| Churches | 1 841 268 | 2 130 534 |
| Less: Income forgone | (23 679 673) | (30 875 458) |
|  | **184 127 847** | **175 653 445** |
| **Valuations** |  |  |
| Residential | 12 006 553 436 | 9 039 634 184 |
| Commercial | 4 057 410 565 | 3 896 752 200 |
| State | 393 890 905 | 390 786 755 |
| Municipal | 2 307 050 747 | 2 430 277 959 |
| Small holdings and farms | 1 635 352 509 | 1 400 710 177 |
| Churches | 206 718 795 | 221 394 645 |
| NGO's | 11 794 000 | 103 899 840 |
|  | **20 618 770 957** | **17 483 455 760** |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 21 July 2012 Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

|  |  |  |
| --- | --- | --- |
| **30. Grants and subsidies paid**  Electricity indigent support | 4 105 401 | 3 974 367 |
| Sewerage indigent support | 10 412 814 | 10 409 467 |
| Rates indigent support | 826 778 | 861 198 |
| Refuse indigent support | 20 009 100 | 18 631 802 |
| Water indigent support | 17 854 627 | 15 801 097 |
| Pauper's burial | 11 620 | 55 005 |
|  | **53 220 340** | **49 732 936** |

|  |  |  |
| --- | --- | --- |
| **31. Government grants and subsidies**  **Operating grants** |  | |
| Equitable share | 193 583 008 | 191 143 695 |
| Extended public works programme | 2 071 000 | 2 151 000 |
| Financial Management Grant | 1 600 000 | 1 550 000 |
| Pre-capacity Grant | 420 006 | 225 277 |
| Municipal system improvement Grant | 1 823 153 | - |
| Municipal Infrastructure Skills Development | 26 000 000 | 25 500 000 |
| Sports & Development Grant | 21 900 | 64 093 |
|  | **225 519 067** | **220 634 065** |
| **Capital grants**  Municipal Infrastructure Grant | 72 816 934 | 116 487 270 |
| Gert Sibande District Municipality | 1 238 466 | 12 566 252 |
| Department of Environmental Affairs | 6 133 242 | - |
| Sasol | 22 318 038 | 4 232 789 |
| SANEDI | 1 500 000 | - |
| Sonland Ontwikkeling | 1 692 000 | - |
| Rand water | 193 641 | - |
| Human Settlement Grant | 47 512 680 | 58 819 857 |
|  | **153 405 001** | **192 106 168** |
|  | **378 924 068** | **412 740 233** |
| **Conditional and Unconditional** |  |  |
| Included in above are the following grants and subsidies received: |  |  |
| Conditional grants received | 185 340 687 | 218 716 807 |
| Unconditional grants received | 193 583 382 | 191 143 695 |
|  | **378 924 069** | **409 860 502** |
| **Equitable Share** |  |  |

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

All registered indigents receive a monthly subsidy of 190 (2014:180), which is funded from the grant.The subsidy is determined annually by council. All indigent residential households received 10kl water and 50kwh electricity free every month.

|  |  |  |
| --- | --- | --- |
| **Municipal Infrastructure Grant**  Balance unspent at beginning of year | - | 18 526 965 |
| Current-year receipts | 83 781 000 | 102 031 000 |
| Conditions met - transferred to revenue | (72 816 934) | (116 487 270) |
| Amount withheld by national treasury | - | (4 070 695) |
|  | **10 964 066** | **-** |

The Municipal Infrastructure Grant MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantagesd areas (including the roads and sewerage votes).

|  |  |  |
| --- | --- | --- |
| **Gert Sibande District Municipality**  Balance unspent at beginning of year | (2 879 731) | 9 686 521 |
| Current-year receipts | 4 104 514 | - |
| Conditions met - transferred to revenue | (1 238 467) | (12 566 252) |
|  | **(13 684)** | **(2 879 731)** |

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

This grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas.

|  |  |  |
| --- | --- | --- |
| **Sports and Development Grant**  Balance unspent at beginning of year | 475 585 | 475 585 |
| Conditions met - transferred to revenue | (21 900) | - |
|  | **453 685** | **475 585** |

This grant was received for promotion and development of sport. Projects identified for apllication of the grant will run in the subsequent financial year. No funds have been withheld.

### Department of Arts and Culture

Balance unspent at beginning of year - 64 093

Conditions met - transferred to revenue - (64 093)

### - -

This grant was allocated for the upgrading of library equipment. Projects funded by this grant completed in the previous year.

|  |  |  |
| --- | --- | --- |
| **Municipal Systems Improvement Grant**  Balance unspent at beginning of year | 1 690 000 | 800 000 |
| Current-year receipts | 934 000 | 890 000 |
| Conditions met - transferred to revenue | (1 823 153) | - |
| Withheld by National Treasury | (800 000) | - |
|  | **847** | **1 690 000** |

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and is also used to improve technology networks and ward committee operations.

|  |  |  |
| --- | --- | --- |
| **Pre-capacity grant**  Balance unspent at beginning of year | 420 006 | 420 006 |
| Current-year receipts | (420 006) | - |
|  | **-** | **420 006** |

The grant was allocated to ensure that the social housing programme of provincial government was carried out. The municipality acts as an agent for implementation of the plan.

|  |  |  |
| --- | --- | --- |
| **Department of Human Settlement**  Balance unspent at beginning of year | (5 729 983) | 44 165 966 |
| Current-year receipts | 46 690 054 | - |
| Conditions met - transferred to revenue | (47 512 305) | (49 895 949) |
|  | **(6 552 234)** | **(5 729 983)** |

The Human settlement grant is allocated to municipality for the creation of sustainable human settlements that enables an improved quality of household life and the facilitation and provision of access to basic infrastructure, top structures and basic social and economic amenities that contribute to the creation of sustainable human settlements.

|  |  |
| --- | --- |
| **SASOL**  Current-year receipts | 37 434 513 13 156 697 |
| Conditions met - transferred to revenue | (22 318 038) (13 156 697) |

|  |  |  |
| --- | --- | --- |
| **31. Government grants and subsidies (continued)** | **15 116 475** | **-** |
| Conditions still to be met of the remaining liabilities (see note 16). |  |  |
| **Financial Management Grant** |  |  |
| Current-year receipts | 1 600 000 | 1 550 000 |
| Conditions met - transferred to revenue | (1 600 000) | (1 550 000) |
|  | **-** | **-** |

The Finance Management Grant is allocated to assist the municipality to secure sound and sustainable management of the fiscal and financial affairs and to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

|  |  |  |
| --- | --- | --- |
| **Extended Public Works Programme**  Current-year receipts | 2 071 000 | 2 151 000 |
| Conditions met - transferred to revenue | (2 071 000) | (2 151 000) |
|  | **-** | **-** |

EPWP grant incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus area and in compliance with the EPWP guidelines.

|  |  |  |
| --- | --- | --- |
| **Municipal Skills Development Grant**  Current-year receipts | 26 000 000 | 25 500 000 |
| Conditions met - transferred to revenue | (26 000 000) | (25 500 000) |
|  | **-** | **-** |

The grant is allocate to support the municipality to build long term and sustainable capacity by training a pool of young professionals in technical and project/operations management skills.

|  |  |  |
| --- | --- | --- |
| **Department of Environmental Affairs**  Current-year receipts | 6 133 242 | - |
| Conditions met - transferred to revenue | (6 133 242) | - |
|  | **-** | **-** |
| **Sonland Ontwikkeling** |  |  |
| Current-year receipts | 1 692 000 | - |
| Conditions met - transferred to revenue | (1 692 000) | - |
|  | **-** | **-** |
| **SANEDI** |  |  |
| Current-year receipts | 1 500 000 | - |
| Conditions met - transferred to revenue | (1 500 000) | - |
|  | **-** | **-** |
| Funds received from SANEDI to fund smart grid programme. |  |  |
| **Rand water** |  |  |
| Current-year receipts | 193 641 | - |

|  |  |  |
| --- | --- | --- |
| **31. Government grants and subsidies (continued)**  Conditions met - transferred to revenue | (193 641) | - |
|  | **-** | **-** |
| **32. Employee related costs** |  |  |
| Basic | 198 503 786 | 175 468 382 |
| Bonus | 19 369 765 | 14 297 580 |
| Medical aid - company contributions | 22 236 577 | 19 187 557 |
| UIF | 2 224 990 | 2 094 570 |
| Leave pay provision charge | 3 286 528 | 1 433 033 |
| Pension fund contribution | 41 050 440 | 36 493 597 |
| Defined contribution plans | 3 140 810 | 2 670 915 |
| Travel, motor car, accommodation, subsistence and other allowances | 16 156 222 | 15 667 168 |
| Overtime payments | 19 847 930 | 20 953 032 |
| Long-service awards | 3 142 000 | 3 275 000 |
| Allowances standby | 9 991 086 | 7 164 359 |
| Industrial council levy | 111 768 | 100 185 |
| Non pensionable allowance | 43 069 827 | 43 082 510 |
| Housing subsidy | 775 638 | 753 335 |
|  | **382 907 367** | **342 641 223** |
| **Remuneration of municipal manager: Mahlangu MF** |  |  |
| Annual Remuneration | 1 096 247 | 1 036 282 |
| Car Allowance | 108 000 | 108 000 |
| Contributions | 313 141 | 263 495 |
|  | **1 517 388** | **1 407 777** |
| The Municipal Manager was apppointed on 16 January 2012 |  |  |
| **Remuneration of Chief Finance Officer: Mokgatsi MJ** |  |  |
| Annual Remuneration | 985 567 | 923 079 |
| Car Allowance | 96 000 | 96 000 |
| Contributions | 242 137 | 195 389 |
|  | **1 323 704** | **1 214 468** |
| The Chief Finance Office was appointed on 01 June 2010 |  |  |
| **Remuneration of Director Corporate: Mahlangu ZL** |  |  |
| Annual Remuneration | 818 124 | 768 759 |
| Car Allowance | 96 000 | 96 000 |
| Contributions | 198 696 | 148 169 |
|  | **1 112 820** | **1 012 928** |
| The director was appointed on 01 April 2013 |  |  |

|  |  |  |
| --- | --- | --- |
| **32. Employee related costs (continued)**  **Remuneration of Director Community Services: Zulu ET** |  | |
| Annual Remuneration | 667 542 | 604 073 |
| Car Allowance | 336 000 | 336 000 |
| Contributions | 162 853 | 128 249 |
|  | **1 166 395** | **1 068 322** |
| The director was appointed on 15 April 2013 |  |  |
| **Remuneration of Director Planning and Development: Wetbooi NS** |  |  |
| Annual Remuneration | 767 770 | 703 800 |
| Car Allowance | 96 000 | 96 000 |
| Contributions | 164 114 | 136 475 |
|  | **1 027 884** | **936 275** |
| The director was appointed on 01 April 2013 |  |  |
| **Remuneration of Director Technical Services: Mtshali BS** |  |  |
| Annual Remuneration | 134 266 | 901 479 |
| Car Allowance | 14 144 | 96 000 |
| Contributions | 26 012 | 137 007  0 |
|  | **174 422** | **1 134 486** |
| The director resigned on 22 September 2014 |  |  |
| **Reginal Manager: Sihlali HK** |  |  |
| Annual Remuneration | 704 488 | 284 379 |
| Car Allowance | 120 000 | 50 000 |
| Contributions | 173 564 | 58 031 |
|  | **998 052** | **392 410** |
| Regional manager was appointed on 01 February 2014 |  |  |
| **Regional Manager: Mashiane MR** |  |  |
| Annual Remuneration | 707 357 | 285 257 |
| Car Allowance | 120 000 | 50 000 |
| Contributions | 181 066 | 61 320 |
|  | **1 008 423** | **396 577** |
| Regional manager was appointed on 01 February 2014 |  |  |
| **Regional Manager: Michele ME** |  |  |
| Annual Remuneration | 717 388 | 278 054 |
| Car Allowance | 144 000 | 60 000 |
| Contributions | 174 703 | 58 523 |
|  | **1 036 091** | **396 577** |
| Regional manager was appointed on 01 February 2014 |  |  |

|  |  |  |
| --- | --- | --- |
| **32. Employee related costs (continued)**  **Remuneration of Director Technical Services Masia MH** |  | |
| Annual Remuneration | 225 289 | - |
| Car Allowance | 32 000 | - |
| Contributions | 59 741 | - |
|  | **317 030** | **-** |
| The director was newly appointed on 1 March 2015 |  |  |

### 33. Remuneration of councillors

Councillors 17 351 700 16 309 886

### Councillors

The remuneration of political office bearers and councillors is within the upper limits as determined by Remuneration of Public Officers Bearers Act no. 20 of 1998 and as per Government Gazette no.37281.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Surname & Initials** | **Appointment** | **Basic Salary** | **Pension** | **Medical Aid** | **Car allowance** | **Total** |
|  | **date** |  |  |  |  | **remuneration** |
| Badenhorst HJ | 01/03/2001 | 150 900.91 | 22 635.60 | - | 50 271.48 | 223 807.99 |
| Bosch PR | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Buthelezi TM | 08/12/2000 | 258 063.53 | 38 709.96 | - | 50 271.48 | 347 044.97 |
| De Vries GR | 02/01/2014 | 194 615.61 | 29 192.40 | - | - | 223 808.01 |
| Denny TM | 08/03/2006 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Gwiji CV | 21/05/2011 | 387 377.75 | 58 106.97 | 17 280.00 | 134 057.28 | 596 822.00 |
| Khayiyana MZC | 21/05/2011 | 377 254.84 | 56 588.40 | - | 125 678.76 | 559 522.00 |
| Kubheka MN | 25/07/2013 | 140 407.60 | 21 061.18 | - | - | 161 468.78 |
| Labuschagne PJ | 08/12/2000 | 135 875.12 | 20 381.40 | 17 280.00 | 50 271.48 | 223 808.00 |
| Lekoloane Ml | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Mabena SS | 05/01/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Mahlangu BD | 15/03/2011 | 135 875.12 | 20 381.40 | 17 280.00 | 50 271.48 | 223 808.00 |
| Mahlangu BS | 21/05/2011 | 377 254.84 | 56 588.40 | - | 125 678.76 | 559 522.00 |
| Mahlangu SS | 08/03/2006 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Majozi NE | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Makhanye SA | 21/05/2011 | 362 228.44 | 54 334.80 | 17 280.00 | 125 678.76 | 559 522.00 |
| Makola MB | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Manzi NE | 21/05/2011 | 127 056.49 | 19 058.65 | 12 960.00 | 46 082.19 | 205 157.33 |
| Masango JM | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Masango SA | 21/05/2011 | 135 875.12 | 20 381.40 | 17 280.00 | 50 271.48 | 223 808.00 |
| Masina HS | 21/05/2011 | 136 878.37 | 20 555.34 | 16 102.80 | 50 271.48 | 223 807.99 |
| Masina Ll | 08/03/2006 | 487 980.25 | 73 197.03 | 17 280.00 | 167 571.72 | 746 029.00 |
| Masombuka PP | 08/03/2006 | 26 791.19 | 4 018.67 | 3 934.80 | 10 857.73 | 45 602.39 |
| Masombuka SM | 01/05/2015 | 32 435.94 | 4 865.40 | - | - | 37 301.34 |
| Mathabe NM | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Mathebula SB | 20/08/2013 | 194 615.61 | 29 192.40 | - | - | 223 808.01 |
| Mayisa JS | 16/04/2012 | 179 589.21 | 26 938.79 | 17 280.00 | - | 223 808.00 |
| Mkhwanazi ZG | 21/05/2011 | 135 875.12 | 20 381.40 | 17 280.00 | 50 271.48 | 223 808.00 |
| Mngomezulu MP | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Motaung AD | 08/03/2006 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Mtsweni TP | 08/01/2015 | 377 254.84 | 56 588.41 | - | 125 678.76 | 559 522.01 |
| Mtshali PD | 21/05/2011 | 143 388.01 | 21 508.50 | 8 640.00 | 50 271.48 | 223 807.99 |
| Mtsweni LJ | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Mtsweni MJ | 21/05/2011 | 136 545.08 | 20 481.84 | 16 509.60 | 50 271.48 | 223 808.00 |
| Mtsweni TA | 08/03/2006 | 101 406.91 | 14 843.29 | 1 284.60 | 16 757.16 | 134 291.96 |
| Mvundla Wl | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Mzinyane TE | 21/05/2011 | 135 875.12 | 20 381.40 | 17 280.00 | 50 271.48 | 223 808.00 |
| Ndaba BB | 21/05/2011 | 140 883.72 | 21 132.80 | 11 520.00 | 50 271.48 | 223 808.00 |
| Ndinisa BJ | 08/03/2006 | 138 379.42 | 20 757.10 | 14 400.00 | 50 271.48 | 223 808.00 |
| Ndlovu SJ | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Ngxonono YT | 21/05/2011 | 362 228.44 | 54 334.80 | 17 280.00 | 125 678.76 | 559 522.00 |
| Nhlapho MD | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Nkabinde JB | 01/03/2013 | 190 972.72 | 28 645.99 | - | 4 189.29 | 223 808.00 |
| Nkabinde MA | 08/03/2006 | 150 900.91 | 22 635.60 | - | 50 271.48 | 223 807.99 |
| Nkambule FB | 08/12/2000 | 377 254.84 | 56 588.40 | - | 125 678.76 | 559 522.00 |
| Nkosi MJ | 08/03/2006 | 150 900.91 | 22 635.60 | - | 50 271.48 | 223 807.99 |
| Nkosi NE | 08/12/2000 | 374 750.44 | 56 212.80 | 2 880.00 | 125 678.76 | 559 522.00 |
| Nkosi NK | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Ntuli GN | 21/05/2011 | 136 358.81 | 20 453.91 | 16 723.80 | 50 271.48 | 223 808.00 |
| Nxumalo NJ | 21/05/2011 | 135 875.12 | 20 381.40 | 17 280.00 | 50 271.48 | 223 808.00 |
| Nzama PG | 21/05/2011 | 150 900.91 | 22 635.60 | - | 50 271.48 | 223 807.99 |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **33. Remuneration of councillors (continued)** | | | | | | |
| Pretorius RJ | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Sibande ES | 21/05/2011 | 135 875.12 | 20 381.40 | 17 280.00 | 50 271.48 | 223 808.00 |
| Tlou Dl | 02/08/2012 | 136 545.08 | 20 481.84 | 16 509.60 | 50 271.48 | 223 808.00 |
| Tsotetsi TJ | 08/03/2006 | 150 900.91 | 22 635.60 | - | 50 271.48 | 223 807.99 |
| Van Baalen JA | 08/03/2006 | 135 875.12 | 20 381.40 | 17 280.00 | 50 271.48 | 223 808.00 |
| Van Den Berg PE | 21/05/2011 | 144 342.78 | 20 749.30 | - | 46 196.97 | 211 289.05 |
| Van Huyssteen NC | 21/05/2011 | 135 875.12 | 20 381.40 | 17 280.00 | 50 271.48 | 223 808.00 |
| Van Rooyen EJ | 21/05/2011 | 150 900.91 | 22 635.61 | - | 50 271.48 | 223 808.00 |
| Victor NS | 08/03/2006 | 150 900.91 | 22 635.60 | - | 50 271.48 | 223 807.99 |
| Vilakazi EA | 21/05/2011 | 135 875.12 | 20 381.40 | 17 280.00 | 50 271.48 | 223 808.00 |
| Viljoen M | 25/07/2014 | 129 729.42 | 18 960.45 | 12 483.00 | 46 082.19 | 207 255.06 |
| Zulu NN | 21/05/2011 | 150 900.91 | 22 635.60 | - | 50 271.48 | 223 807.99 |
| Zulu TS | 21/05/2011 | 150 900.91 | 22 635.60 | - | 50 271.48 | 223 807.99 |
| Zwane PJ | 21/05/2011 | 135 875.12 | 20 381.40 | 17 280.00 | 50 271.48 | 223 808.00 |
| **Total councillors remuneration** 17 351 699.81 | | | | | | |
| **Appointments Date** | | |  | |  |  |
| Viljion M 2014/07/25 | | |  | |  |  |
| Mtshweni TP 2015/01/08 | | |  | |  |  |
| Masombuka SM 2015/05/01 | | |  | |  |  |
| **Terminations Date** | | | **Reason** | |  |  |
| Masombuka PP 2014/09/08 | | | Died | |  |  |
| Manzi NE 2015/05/31 | | | Resigned | |  |  |
| Van den Burg PE 2015/06/10 | | | Resigned | |  |  |
| Khubheka MN 2015/03/20 | | | Resigned | |  |  |
| **34. Depreciation and amortisation** | | |  | |  |  |
| Property, plant and equipment | | |  | | 150 355 586 | 186 576 066 |
| Intangible assets | | |  | | 176 356 | 44 134 |
|  | | |  | | **150 531 942** | **186 620 200** |
| **35. Impairment of assets** | | |  | |  |  |
| **Impairments**  Property, plant and equipment | | |  | | 2 453 899 | 2 220 639 |
| **36. Finance costs** | | |  | |  |  |
| Employee obligation interest | | |  | | 5 927 001 | 5 836 000 |
| Trade and other payables | | |  | | 28 476 162 | 11 853 854 |
| Finance leases | | |  | | 114 523 | 644 302 |
| Bank | | |  | | 20 | 67 921 |
| Current borrowings | | |  | | 1 644 316 | 2 102 376 |
| Land fill site | | |  | | 2 160 095 | 436 125 |
|  | | |  | | **38 322 117** | **20 940 578** |
| **37. Debt impairment** | | |  | |  |  |
| Debt impairment | | |  | | 159 815 675 | 142 149 353 |

|  |  |  |
| --- | --- | --- |
| **38. Bulk purchases**  Electricity | 433 578 852 | 389 637 878 |
| Water | 187 051 682 | 167 280 793 |
|  | **620 630 534** | **556 918 671** |
| **39. Contracted services** |  |  |
| Legal services | 4 671 469 | 2 917 408 |
| Meter reading | 10 344 088 | 9 197 581 |
| Security services | 19 407 233 | 15 827 055 |
| Professional fees | 11 336 847 | 19 688 800 |
| Other contractors | 24 133 308 | 26 314 702 |
|  | **69 892 945** | **73 945 546** |

Other contractors mainly include contracted sewerage purification services, prepaid vending management as well as assesment services.

Professional fees amounting to R 2 030 026 has been reclassified to general expenditure.As a result professional fees relating to previos year decreased from R 21 718 827 to 19 688 800.

|  |  |  |
| --- | --- | --- |
| **40. General expenses**  Advertising | - | 26 750 |
| Animal Costs | 399 999 | 349 076 |
| Auditors remuneration | 4 461 405 | 3 975 287 |
| Bank charges | 3 593 777 | 3 185 973 |
| Cleaning | 905 860 | 570 445 |
| Community development and training | 1 491 210 | 23 383 416 |
| Conferences and seminars | 56 099 | 39 540 |
| Connection fees | 323 773 | 1 134 247 |
| Consumables | 1 159 996 | 1 568 253 |
| Donations | - | 2 975 358 |
| Entertainment | 315 489 | 526 386 |
| Fleet | 3 386 877 | 4 032 659 |
| Grants expenditure | 27 328 648 | 31 643 823 |
| Horticulture | - | 46 810 |
| IT expenses | 90 656 | 174 571 |
| Insurance | 4 411 384 | 5 114 283 |
| Inventory losses | 3 052 | 33 455 680 |
| Land eviction costs | 2 091 954 | - |
| Marketing | 157 397 | 80 616 |
| Medical expenses | 160 948 | 62 757 |
| Motor vehicle expenses | 2 700 434 | 3 209 028 |
| Other expenses | 200 698 | 147 318 |
| Pest control | 5 123 | 5 694 |
| Placement fees | 88 429 | 75 504 |
| Postage and courier | 2 208 088 | 1 945 073 |
| Presenting costs | 387 703 | 233 363 |
| Printing and stationery | 3 558 811 | 2 919 285 |
| Professional fees | 7 434 297 | 2 836 955 |
| Promotions and sponsorships | 563 925 | 801 391 |
| Protective clothing | 2 009 642 | 2 417 373 |
| Rehabilitation costs | 297 707 | 7 018 |
| Rental: machinery & equipment | 9 787 627 | 10 950 021 |
| Software expenses | 20 708 | 219 911 |
| Subscriptions and membership fees | 3 937 894 | 3 401 297 |
| TV licenses | 18 786 | 21 207 |
| Telephone and fax | 6 000 028 | 4 856 279 |
| Training | 4 969 478 | 4 152 043 |
| Transport and freight | 16 170 055 | 17 481 958 |
| Travel | 1 655 609 | 2 366 659 |
| Workshop | 3 132 434 | 3 077 752 |
|  | **115 486 000** | **173 471 059** |

License fees amounting to R 2 030 026 has been reclassified from contracted services as a result license fees increased from R 806 929 to R 2 091 954

|  |  |  |
| --- | --- | --- |
| **41. Repairs and maintanance**  Air conditioners | 24 086 | 297 660 |
| Buildings | 1 480 052 | 1 999 724 |
| Computers | 242 844 | 315 727 |
| Distribution network | 19 637 147 | 25 483 826 |
| Equipment | 5 335 539 | 15 205 378 |
| Infrastructure | 25 794 483 | 27 771 799 |
| Mechanical Pumps | 2 471 765 | 3 856 577 |
|  | **54 985 916** | **74 930 691** |

|  |  |  |  |
| --- | --- | --- | --- |
| **42. Fair value adjustments**  Investment property |  | 63 977 042 | 73 972 279 |
| Property, plant and equipment |  | 1 923 500 | 3 228 841 |
| Other financial assets |  | 99 075 | 310 771 |
|  |  | **65 999 617** | **77 511 891** |
| **43. Auditors' remuneration** |  |  |  |
| Fees |  | 4 461 405 | 3 975 287 |
| **44. Operating deficit** |  |  |  |
| Operating deficit for the year is stated after accounting for the following: |  |  |  |
| Loss on sale assets |  | (12 342 569) | (65 401 292) |
| Impairment on property, plant and equipment |  | 2 453 899 | 2 220 639 |
| Amortisation on intangible assets |  | 176 356 | 44 134 |
| Depreciation on property, plant and equipment |  | 150 355 586 | 186 576 066 |
| Employee costs |  | 400 259 066 | 358 951 110 |
| **45. Cash generated from operations** |  |  |  |
| Deficit  **Adjustments for:**  Depreciation and amortisation |  | (118 127 373)  150 531 942 | (60 236 070)  186 620 200 |
| Loss on sale of assets |  | 12 342 569 | 65 401 292 |
| Acturial gains/(losses) |  | 1 126 000 | (10 106 000) |
| Fair value adjustments |  | (65 999 617) | (77 511 891) |
| Impairment on assets |  | 2 453 899 | 2 220 639 |
| Debt impairment |  | 159 815 675 | 142 149 353 |
| Interest on outstanding debtors |  | (24 479 491) | (35 288 433) |
| Grants and subsidies-non cash |  | 53 220 341 | 49 732 919 |
| Other non-cash items |  | (65 946 851) | (184 616 983) |
|  |  | **104 937 094** | **78 365 026** |
| **46. Financial instruments disclosure** |  |  |  |
| **Categories of financial instruments** |  |  |  |
| **2015** |  |  |  |
| **Financial assets** |  |  |  |
| **At fair value**  Other financial assets 1 412 172 | **At amortised cost**  8 403 127 | **At cost**  - | **Total**  9 815 299 |
| Receivables from exchange transactions - | 7 993 307 | - | 7 993 307 |
| Receivables from non-exchange transactions - | 11 095 755 | 6 565 919 | 17 661 674 |
| Consumer debtors - | 138 615 772 | - | 138 615 772 |
| Cash and cash equivalents - | 18 396 455 | - | 18 396 455 |
| Long term debtors - | 29 015 450 | - | 29 015 450 |
| **1 412 172** | **213 519 866** | **6 565 919** | **221 497 957** |
| **Financial liabilities** |  |  |  |
|  |  | **At amortised cost** | **Total** |

|  |  |  |  |
| --- | --- | --- | --- |
| **. Financial instruments disclosure (continued)**  Finance lease obligation |  | 717 353 | 717 353 |
| Other financial liabilities |  | 12 431 548 | 12 431 548 |
| Trade and other payables from exchange transactions |  | 448 063 716 | 448 063 716 |
| Trade and other payables from non-exchange transactions |  | 14 442 927 | 14 442 927 |
|  |  | **475 655 544** | **475 655 544** |
| **2014** |  |  |  |
| **Financial assets** |  |  |  |
| Other financial assets | **At fair value**  1 313 097 | **At amortised cost**  15 347 690 | **Total**  16 660 787 |
| Receivables from exchange transactions | - | 4 005 205 | 4 005 205 |
| Receivables from non-exchange transactions | - | 31 131 734 | 31 131 734 |
| Consumer debtors | - | 180 192 035 | 180 192 035 |
| Cash and cash equivalents | - | 16 232 399 | 16 232 399 |
| Long term receivables | - | 23 544 078 | 23 544 078 |
|  | **1 313 097** | **270 453 141** | **271 766 238** |
| **Financial liabilities** |  |  |  |
| Other financial liabilities |  | **At amortised cost**  16 704 232 | **Total**  16 704 232 |
| Trade and other payables from exchange transactions |  | 356 692 278 | 356 692 278 |
| Payables from non-exchange transactions |  | 12 085 119 | 12 085 119 |
| Finance lease liability |  | 367 477 | 367 477 |
|  |  | **385 849 106** | **385 849 106** |
| **Financial instruments in Statement of financial performance** |  |  |  |
| **2015** |  |  |  |
| Dividends received | **At fair value**  42 093 | **At amortised cost**  - | **Total**  42 093 |
| Interest income from outstanding receivables | - | 24 479 491 | 24 479 491 |
| Interest expense | - | (38 322 117) | (38 322 117) |
| Interest income on investments | - | 2 645 122 | 2 645 122 |
| Fair value adjustments on financial assets | 99 075 | - | 99 075 |
| Debt impairment | - | (159 815 675) | (159 815 675) |
|  | **141 168** | **(171 013 179)** | **(170 872 011)** |
| **2014** |  |  |  |
| Dividends received | **At fair value**  57 242 | **At amortised cost**  - | **Total**  57 242 |
| Interest income from outstanding receivables | - | 35 270 431 | 35 270 431 |
| Interest expense | - | (20 940 578) | (20 940 578) |
| Interest income from investments | - | 1 622 556 | 1 622 556 |
| Fair value adjustments on financial assets | 310 771 | - | 310 771 |
| Debt impairment | - | (142 149 353) | (142 149 353) |
|  | **368 013** | **(126 196 944)** | **(125 828 931)** |

### Commitments

**Authorised capital expenditure**

**Already contracted for but not provided for**

|  |  |  |
| --- | --- | --- |
| * Property, plant and equipment | 100 271 822 | 111 433 783 |
| **Total capital commitments**  Already contracted for but not provided for | 100 271 822 | 111 433 783 |
| **Authorised operational expenditure** |  |  |
| **Already contracted for but not provided for**   * Operating contracts commitments | 102 859 566 | 20 077 380 |
| **Total operational commitments**  Already contracted for but not provided for | 102 859 566 | 20 077 380 |
| **Total commitments** |  |  |
| **Total commitments**  Authorised capital expenditure | 100 271 822 | 111 433 783 |
| Authorised operational expenditure | 102 859 566 | 20 077 380 |
|  | **203 131 388** | **131 511 163** |

Capital commitment relates to property,plant and equipment and will mainly be financed by the Municipal Infrastructure Grant

### Contingencies Contingent liabilities

The following legal proceedings are currently in progress and are represented by various attorneys:

### Cronje De Waal & Skhosana

Govan Mbeki Municipality vs Mandlenkosi Sibeko - 93 000 Govan Mbeki Municipality vs Piet Bok Construction CC 9 021 856 -

Govan Mbeki Municipality vs Bosch 16 996 145 -

### 26 018 001 93 000

**Else Louw & Rasool Attorneys**

Tank Projects Solutions vs Govan Mbeki Municipality 4 000 000 -

### Ramathe MJ Attorneys

Govan Mbeki Municipality vs Junior Joubert - 100 000

Govan Mbeki Municipality vs Lepogo Construction - 4 000 000

### - 4 100 000

**TMN Kgomo Attorneys**

Govan Mbeki Municipality vs T.Potsane - 145 000

Govan Mbeki Municipality vs Water & Sanitation Services S.A 2 428 391 - Govan Mbeki Municipality vs Simstone Pty Ltd - 159 908

### 2 428 391 304 908

**Other**

Govan Mbeki Municipality vs Fikile Esther Hlanzi - 124 900 Govan Mbeki Municipality vs M.B.V Mavuso obo Minor children 800 000 250 000 Govan Mbeki Municipality vs Telkom// Thisila Enterprises - 25 000 Govan Mbeki Municipality vs Vos Viljoen & Burger 5 640 -

Govan Mbeki Municipality vs Simstone Pty Ltd & Moalanesa 90 489 -

Govan Mbeki Municipality vs Marnelle Rauch 21 000 -

Govan Mbeki Municipality vs AnsjeLotretz 2 145 -

Govan Mbeki Municipality vs Mashilo Mollo 9 548 -

### 928 822 399 900

**Total contingent liabilities 33 375 214 4 987 808**

**Contingent assets**

In addition to the court cases disclosed below, there are certain court cases which are more complex and costs cannot be determined.The following are the determinable contingent assets:

|  |  |
| --- | --- |
| **Cronje De Waal & Skhosana Attorneys** |  |
| N Kunene vs Govan Mbeki Municipality | - 15 000 |
| MV Xaba vs Govan Mbeki Municipality | - 15 000 |
| LR Basini vs Govan Mbeki Municipality | - 15 000 |
| NS Adams vs Govan Mbeki Municipality | - 15 000 |
| Mindsgate vs Govan Mbeki Municipality | - 2 000 000 |
|  | **- 2 060 000** |
| **Else Louw & Rasool Attorneys** |  |
| Tank Projects Solutions vs Govan Mbeki Municipality | - 900 000 |

### Contingencies (continued) TMN Kgomo Attorneys

Management Skills Interventions vs Govan Mbeki Municipality 427 000 -

### Total contingent assets 427 000 2 960 000

1. **Related parties**

`

### Relationships

Christine Lindiwe Mahlangu Director Ndluwakho construction & projects

Mnguni Khanyisile 20% shareholeder of Zamanguni catering services 30% sahreholding in Frieshka trading and services

Johanna Tsibela Family member to director of Ndibano Kopano Trading and projects cc ( spouse)

Ms Ester Sibeko Lama-cusi logistics nd plant hire ( spouse)

Busisiwe Mathebula Family member to director of Vuma Konke Transport and projects cc ( spouse)

Bonginkosi Simelane Director for BV Magujwa trading and projects (pty) Ltd 100%

Employees with indirect interest for suppliers the municipality traded with Lucky jane trading and projects

Minoah suppliers solution (pty) ltd Singemalangeni logistics cc Sondie trading enterprise Zamathamane construction cc Zamathamane logistics Clarabana general trading cc TMN kgomo& associates

Members of key management BS Mtshali

ET Zulu

MF Mahlangu JM Mokgatsi ZL Mahlangu NS Wetbooi HK Sihlali ME Michele

MR Mashiane MH Masia

### Related party balances

**Amounts included in trade and other payables**

Vuma konke transport and projects CC 164 160 18 000

TMN Kgomo & associates 19 841 -

|  |  |  |
| --- | --- | --- |
| **49. Related parties (continued)**  **Related party transactions** |  | |
| **Catering services**  Frieshka trading and services | - | 24 500 |
| Zama Nguni trading | - | 78 251 |
| **Repairs and maintanance**  Ndluwakho construction & projects | - | 91 200 |
| **Hire of plant equipment**  Lama-Cusi Logistics and Plant Hire | - | 1 104 861 |
| Vuma Konke Transport and Projects CC | 4 126 138 | 851 410 |
| Lucky jane trading and projects | 146 199 | - |
| Singamalangeni Logistics CC | 325 356 | - |
| Bv Magujwa Trading and Projects | 29 700 | - |
| Sondie Trading Enterprise | 279 415 | - |
| Zamathamane Constraction CC | 216 800 | - |
| Zamathamane logistics | 201 424 | - |
| **Consumables**  Ndibano Kopano Trading and Projects | - | 55 200 |
| Minoah suppliers solutions (pty) ltd | 74 358 | - |
| Clarabarna General Trading CC | 95 306 | - |
| **Legal services**  TMN Kgomo & associates | 325 033 | - |
| **50. Change in estimate** |  |  |
| **Property, plant and equipment** |  |  |

GRAP 17: Property, Plant and Equipment requires that the review of the remaining useful life of an item of property, plant and equipment to be conducted at least at each financial year end. Such review has been completed and the following results were achieved.

* + The remaining useful lives of 283,120 assets were reviewed based on the condition assessment carried out during the physical verification. As a result of the review, the remaining useful lives of 272,500 assets were adjusted in accordance with the “Local Government Capital Asset Management Guideline” as issued by National Treasurydditional text
  + The impact of the adjustment is that depreciation charges on Property, Plant and Equipment for the 2015 financial period has decreased by R41,693,318 from R192,170 ,317 to R 149,476,999.

### Intangible assets

Reviews of intangible assets revealed that 123 assets would be fully amortized and have a zero carrying value within 12 months after year end. It was determined that these assets will still be in use at least up to 30 June 2017. Consequently, the RUL’s of these assets were extended accordingly. This change in estimate resulted in the following:

* + The remaining useful lives of 123 assets were reviewed and extended.
  + The impact of the adjustment is that depreciation charges on Intangible assets for the 2015 financial period has decreased by R58,440 from R 125,776 to R 67,336

### 51. Prior period errors Consumer debtors

Consumer debtors accounts with biliing errors were identified and corrected , as a result the consumer debtors were understaed by R 980 089 . Consequently revenue increased by an amount of R 980 089.

### Long term receivables

Long term receivables accounts amounting to R 156 378 were overstated due to incorrect billing in the previous year. Consequently accumulated surplus and revenue decreased by an amount of R 156 378.

### Trade receivables from exchange transactions

A debtor has been incorrectly raised due to the contract adendum for an exixting contract, the amount of R 718 200 has been paid in 2010-04-30. The error resulted in decrease of trade receivables from exchange transactions with an amount of

R 630 000 and decrease in vat liability with R 88 200.

The billing errors identified during the year resulted in a decrease in rental income with an amount of R 311 157

An amount of R 2 879 730 received in the current year from Gert Sibande which relates to projects expensed in the previous years and monies reimbursed to the municiplaity in the current year. Grant income was not recognised in the previous year, as a result grant income and receivables from exchange transactions increased by R 2 879 730.

Prepaid electricity purchases of June 2014's monies was recorded in the general ledger of June 2015. As a result prepaid electricity was increased by R 2 860 513 , VAT liability increased by R 400 471.82 and receivables from exchange transactions by R 3 260 984.83.

### Receivables from non-exchange transactions

Receivables from non-exchange transaction amounting to R 1 026 164 were understated due to billing errors identified, the billing errors was mainly due to revised supplementary valuations. Consequently property rates income and receivables from non exchange transaction was decreased by an amount of R 1 026 164.

### Payables exchange transactions

Councilors UIF were incorrectly deducted for the prior years and has been paid back by SARS during the year to the.The error resulted in an increase to trade receivables from exchange transactions with an amount of R 1 034 452 and increase in payables from exchange transaction with an amount of R 517 226 and increase in accumulated surplus with an amount of

R 517 226

Payment amounting to R 192 745 was made to the service provider in July 2013 (period ending June 2014) for repairs and maintanance services provided to the municipality in the year ending June 2013, howevr there was no corresponding expenditure and liability raised for the payment in the year 2013. As a result the error was corrected in the period ending June 2014 and correction of the error resulted in an increase in payables by R 192 745, increase in expenditure by R 169 745 and decrease in VAT liability of R 23 670.

### 51. Prior period errors (continued) Investment property

The municipality asset registers were sent to AFRIGIS during the year for verification of ownership. The result of the verification indicated that the properties to the value of R 67 179 206 are privately owned.

The privately owned properties were therefore removed from the investment property register , a journal amounting to R 62 161 356 and R 5 017 850 was processed in 2013 and 2014 respectively to correct the error.

In addition to the above the property to the value of R 156 000 was identified as part of the municipality property, and therefore added to the financial statements as additions in 2014 financial year.

In addition to the above an additional properties were identified by the deed searches not belonging to the municipality to the value of R 15 320 200 and also 64 properties to the value of R 9 831 420 belonging to the municipality however not recorded on the investment property register . The effect above increased accumulated surplus by R 9 831 420, decreased investment property by R 5 488 780 and fair value adjustment by R 15 320 200.

Investment property policy states that the property is carried at fair value, and the fair value method requires yearly valuation of investment property by an independent valuer. Independent valuer appointed to perform valuations for the new valuation roll was requested to fair value the properties and correcting the errors as far as prior the 2013 year end . As a result the investment property increased to R 1 377 162 058.

### Heritage assets

Movable heritage assets verification fair valued from 1 July 2012, the fair valuing was done to ensure that Directive 11 is complied with accurately. As a result the heritage assets increased by R 100 707 and the opening accumulated surplus with the same amount.

|  |  |
| --- | --- |
| The correction of the error(s) results in adjustments as follows:  **Statement of financial position** |  |
| **Assets**  Consumer debtors | 980 089 |
| Long term receivables | (156 378) |
| Receivables from exchange transactions | 6 499 944 |
| Receivables from non-exchange transactions | (1 026 164) |
| Investment property | 810 262 218 |
| Heritage assets | 100 707 |
| **Liabilities**  Payables from exchange transactions | (709 972) |
| VAT | 293 884 |
|  | **(416 088)** |
| **Reserves**  Opening accumulated surplus | (706 156 602) |
| **Statement of Financial Performance** |  |
| **Revenue**  Service charges | 4 283 412 |
| Property rates | (1 026 164) |
| Rental Income | 273 424 |
| Interest on outstanding debtors | (18 002) |
| Grant income | 2 879 691 |
| Fair value adjustments | (108 672 294) |

### Prior period errors (continued) Expenditure

Loss on disposal of assets (5 017 850)

### Comparative figures

Certain accounts were incorrectly classified, the correct reclassification was done during the year.

Legal fees amounting to R 2 030 026 previously clasiified as contracted services has been reclassified in the general expense.

|  |  |
| --- | --- |
| License fees and permits amounting to R 3 140 that relates to dog licenses has been moved to fees earned.  The effects of the reclassification errors are as follows: |  |
| **Statement of Financial Performance** |
| **Revenue**  Fees earned | 3 140 |
| License and permits | (3 140) |
| **Expenditure**  Contracted service | 2 030 026 |
| General expenses | (2 030 026) |
|  | **-** |
| **53. Risk management** |  |
| **Financial risk management** |  |

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

### Liquidity risk

The municipality’s risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing.

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

### Market risk Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality’s income and operating cash flows are substantially independent of changes in market interest rates.

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

### Going concern

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

### Events after the reporting date

The following events occurred after reporting date however before the issue of the financial statements to council:

### Adjusting events

The following items were written off by council subsequent year end in the council sitting held on the 5 August 2015 and 27 August 2015, subsequent adjustments were made in the annual financial statement which resulted with the following impact:

### Traffic fines

Traffic fines debtors amounting to R 4 942 700, which resulted in a decrease receivables from non exchange transactions.

### Indigent debtors

Indigent debtors amounting to R 4 663 807 and debt incentive scheme debtors amounting to R 2 090 711 which resulted in decrease in trade receivables.

### Investment property and PPE

Investment property and property, plant and equipment assets with a carrying amount of R 73 313 132 written off as a result of assets disposed and not owned by the municipality.

### Consumer debtors

Transactions after billing included in consumer debtors amounting to R 13 412 243 relating to the 2011 financial year were written off, which resulted in decrease in debtors.

### Operating lease assets

Operating lease assets amounting to R 78 181 written off in the current year.

### Non adjusting events

**Fruitless and wasteful expenditure**

Fruitless and wasteful expenditure amounting to R 20 071 208 incurred during the year was written off by council with resolution A79/08/205 and R1 003 467 relating to 2013/14 financial year written off with council resolution A 58/07/2015.

### Irregular expenditure

Irregular expenditure amounting to R 48 385 135 written off by council on the 27 August 2015.

The amount of R 18 830 025 on the annual financial statements for the period ending 30 June 2015 under disclosure note 56 written off by council and corrections made in the annual financial statements.

### Unauthorized expenditure

The unauthorized expenditure for 2011/2012 of R137 159 794 was written off by Council through resolution A42/08/2014

### Waiver of interest

Council has resolved to reduce the consumption period of metered services (water and electricity) form 60 days to 30 days with the billing of 15 February 2015, consumption metered for the period 1st to 31st December 2014 and 1st to 31st January 2015 will form part of the billing/accounts of February 2015.

Consumers will be given a period of four months (March, April, May and June 2015) to settle their accounts (Water & Electricity consumption only). Council waived interest charged on outstanding arrears accounts for accounts payable and due on the 9th of March 2015; 7th of April 2015; 7th of May 2015 and 8th of June 2015

The interest amounting to R13 891 114 for the period March 2015 to June 2015 approved to be waived after year end by council on the 27 October 2015.

|  |  |  |
| --- | --- | --- |
| **56. Unauthorised expenditure**  Unauthorised expenditure | 155 989 819 | 137 159 794 |
| Incurred in the current year | - | 18 830 025 |
| Less: amounts written off | (155 989 819) | - |
|  | **-** | **155 989 819** |
| **57. Fruitless and wasteful expenditure** |  |  |
| Opening balance | 18 677 781 | 6 823 927 |
| Incurred in the current year | 28 476 162 | 11 853 854 |
| Less: amounts written off | (45 748 989) | - |
|  | **1 404 954** | **18 677 781** |
| **Details of fruitless and wasteful expenditure**  Interest charged by Eskom | 27 969 990 | 18 199 585 |
| Interest and penalties charged by SARS | 468 327 | 463 625 |
| Interest charged by Telkom | 26 604 | - |
| Interest charged by sundry creditors | 11 241 | 14 571 |
|  | **28 476 162** | **18 677 781** |
| Fruitless and wasteful expenditure amounting to R 17 792 588 was | written off by council on the 6 August 2014 |  |

Fruitless and wasteful expenditure amounting to R20 961 194.43 incurred during the year written off by council along with the R1 003 467 for interest relating to the financial year 2013/2014 on 5 August 2015. The remaining expediture of R6 110 013.83 which is mainly interest charged by Eskom on overdue accounts was also wriiten off on the 27.08.2015.

No disciplinary process have been taken by the municipality due to the fact that the expenditure was incurred as a result of cash flow constraints.

|  |  |  |
| --- | --- | --- |
| **58. Irregular expenditure**  Opening balance | 79 005 262 | 17 367 308 |
| Add: Irregular Expenditure - current year | 48 385 134 | 61 637 954 |
| Less: Amounts written off | (48 385 134) | - |
|  | **79 005 262** | **79 005 262** |
| **Details of irregular expenditure – current year** |  |  |
| Employees from the municipality | - | 193 950 |
| Services received without contracts | 39 507 117 | 34 555 258 |
| Employees of the state | 8 878 017 | 6 971 560 |
| Bids which were adverstised for less than required time | - | 13 962 623 |
| Bids where local content was not specified | - | 5 954 583 |
|  | **48 385 134** | **61 637 974** |

The municipality is investigating possible instances of irregular expenditure which has not been included in the amount disclosed above. The full extent of irregularity would only be known at the conclusion of these investigations. The amount disclosed above may change based on the outcome of these investigations.

|  |  |  |
| --- | --- | --- |
| **59. Additional disclosure in terms of Municipal Finance Management Act**  **Contributions to organised local government** |  | |
| Amount paid - current year | 3 875 580 | 3 512 608 |
| **Material losses incurred** |  |  |
| Distribution losses on electricity(units) | 192 431 461 | 230 588 721 |
| Distribution losses on water (units) | 7 919 733 | 5 170 622 |
|  | **200 351 194** | **235 759 343** |
| **Audit fees** |  |  |
| Current year | 4 480 249 | 3 980 873 |
| **South African Revenue Services** |  |  |
| PAYE | 45 651 035 | 39 799 358 |
| SDL | 3 193 199 | 2 859 177 |
| UIF | 4 449 981 | 4 189 155 |
| VAT paid /(refund) | 2 939 982 | (19 223 906) |
|  | **56 234 197** | **27 623 784** |
| **VAT** |  |  |
| VAT payable | 60 835 307 | 77 565 889 |
| VAT output payables and VAT input receivables are shown in note . |  |  |
| All VAT returns have been submitted by the due date throughout the year. |  |  |
| **Councillors' arrear consumer accounts** |  |  |
| The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2015: |  |  |

### 30 June 2015 Outstanding

**less than 90 days**

**R**

**Outstanding more than 90 days**

**R**

**Total R**

|  |  |  |  |
| --- | --- | --- | --- |
| Molo SJ | 4 576 | 2 960 | 7 536 |
| Mdlokovane NE | 484 | 266 | 750 |
| Ntuli FB | 41 | 227 | 268 |
| Khayiyana MM | 385 | 90 | 475 |
| Mngomezulu DC | 1 305 | 909 | 2 214 |
| Mkwanazi | 1 721 | 8 067 | 9 788 |
| Masango NR | 1 052 | 1 964 | 3 016 |
| Manzana LF | 1 307 | 41 186 | 42 493 |
|  | **10 871** | **55 669** | **66 540** |
| **30 June 2014** | **Outstanding** | **Outstanding** | **Total** |
|  | **less than 90** | **more than 90** | **R** |
|  | **days** | **days** |  |
|  | **R** | **R** |  |
| Mahlangu JSB | 1 413 | 456 | 1 869 |
| Methodist Paster | 2 617 | 900 | 3 517 |
| Mngomezulu DC | 1 023 | 403 | 1 426 |

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

|  |  |  |  |
| --- | --- | --- | --- |
| Nkosi NC | 1 301 | 240 | 1 541 |
| Tsotetsi TJ | 769 | 558 | 1 327 |
| Van rooyen EJ | 2 458 | 1 797 | 4 255 |
|  | **9 581** | **4 354** | **13 935** |
| **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 the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

|  |  |  |
| --- | --- | --- |
| **Incident**  Emergency | 3 434 970 | 1 578 834 |
| Impractical to follow process | 228 976 | 1 896 571 |
| Sole Provider | 760 941 | 2 094 723 |
|  | **4 424 887** | **5 570 128** |
| **60. Budget differences**  **Material differences between budget and actual amounts** |  |  |

The changes in the original budget, final budget and actual figures are as a result of virements and transfers done to cater for year end accrual journals, impairment journals, land fill site finance cost and year end assets journals. All budget fluctuations above 10% in comparison to actual results for the year were considered material and are explained below:

**Expenditure**

### Bulk purchases

Increase in demand caused by the increase in population , as well as the distribution losses and the annual increase of the eskom tariffs.

### Collection cost

Increase is due to all activities that were put in place as part of the revenue enhancement plan to improve debt collection

### Debt impairment

Less debtors impairment has been done than anticipated

### Depreciation and impairment

Change in estimates as disclosed in note 51 of the financial statements and also disposal of assets.

### Finance costs

Finance charges incurred mainly as a result of the Eskom interest which was not budgeted for.

### Repairs and maintenance

Cash flow constraints, resulting in low spending.

### Administration and management fees

Less income realised than anticipated.

### Budget differences (continued)

**Income from agency services**

Less income realised than anticipated due to decrease vehicle registrations

### Insurance claims received

Less insurance incidents claims reported in the current year

### Interest earned on investments

More cash invested during the year than anticipated hence interest received besides, interest rates increase.

### Interest on outstanding debtors

Increase in collection measures during the year that resulted early payment of consumer accounts hence less interest charged

### Differences between budget and actual amounts basis of preparation and presentation

The annual financial statements for the municipality are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The annual financial statements . The annual financial statements does not differ from the budget, which is approved on accrual basis.

### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to statement of comparison of budget and actual amounts from pages 11 to 15 in the financial statements.

**THE FOLLOWING SUPPLEMENTARY INFORMATION DOES NOT FORM PART OF THE ANNUAL FINANCIAL STATEMENTS AND IS UNAUDITED**

**APPENDIX A**

**SCHEDULE OF OTHER FINANCIAL LIABILITIES AS AT 30 JUNE 2015**

**LONG TERM LOANS**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Lender** | **Loan Number** | **Redeemable date** | **Balance at 30**  **June 2014** | **Interest** | **Redeemed/writ ten off during the period** | **Balance as at 30 June 2015** | **Short term portion of loans** | **Long term portion of loans** |
| Development Bank of South Africa | 11167/202 | 30/09/2019 | 361 486 | 50 608 | 96 379 | 315 715 | 51 044 | 264 671 |
| Development Bank of South Africa | 11167/102 | 30/09/2019 | 198 582 | 27 801 | 52 946 | 173 438 | 28 041 | 145 397 |
| Development Bank of South Africa | 13427/102 | 30/09/2019 | 3 133 839 | 466 704 | 854 030 | 2 746 512 | 434 841 | 2 311 671 |
| Development Bank of South Africa | 101781/1 | 31/03/2021 | 6 396 959 | 528 986 | 1 221 933 | 5 704 012 | 738 463 | 4 965 549 |
| Development Bank of South Africa | 103198/1 | 31/03/2016 | 6 613 366 | 570 225 | 3 691 721 | 3 491 870 | 3 394 133 | 97 737 |
|  | | | **16 704 232** | **1 644 325** | **5 917 009** | **12 431 547** | **4 646 522** | **7 785 026** |

**FINANCE LEASE LIABILITY**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Lessor** | **Redeemable date** | **Balance as at 30 June 2014** | **Acquired during the year** | **Interest** | **Payment during the year** | **Balance as at 30 June 2015** | **Short term portion of loans** | **Long term portion of loans** |
| Data master office supplies CC | 02/05/2015 | 42 694 |  | 6 201 | 48 895 |  |  |  |
| Data master office supplies CC | 01/12/2016 | 58 509 |  | 2 219 | 60 728 |  |  |  |
| Data master office supplies CC | 01/11/2016 | 266 276 |  | 19 775 | 123 011 | 163 041 | 112 919 | 50 121 |
| MTN | 30/12/2015 |  | 637 832 | 83 938 | 211 302 | 510 469 | 315 750 | 194 719 |
| MTN | 07/12/2015 |  | 57 162 | 2 389 | 15 708 | 43 844 | 28 551 | 15 293 |
|  | | **367 478** | **694 995** | **114 523** | **459 643** | **717 353** | **457 220** | **260 133** |

**SCHEDULE OF PROPERTY, PLANT AND EQUIPMENT**

**APPENDIX B**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **DESCRIPTION** |  |  |  |  | **COST** | |  |  |  |  |
|  | **Balance as per AFS** | **Difference** | **ADJUSTED OPENING BALNCE 2015** | **Additions 2015** | **Donated assets** | **Newly identified assets at fair value** | **Leases expired - Assets capitalised** | **AUC released 2015** | **Disposals 2015** | **Closing cost 30**  **June 2015** |
| **LAND** |  |  |  |  |  |  |  |  |  |  |
| DEVELOPED LAND | **413 605 938** | **-** | **413 605 938** | **-** | **-** | **-** | **-** | **-** | **-4 142 141** | **409 463 797** |
| **BUILDINGS** |  |  |  |  |  |  |  |  |  |  |
| RESIDENTIAL BUILDINGD | 26 049 907 | - | 26 049 907 | - | - | - |  | 5 585 281 | - | 31 635 188 |
| NON RESIDENTIAS BUILDINGS | 843 390 610 | - | 843 390 610 | - | 7 689 430 | - |  | 19 612 521 | -22 730 632 | 847 961 929 |
| **TOTAL BUILDINGS** | **869 440 517** | **-** | **869 440 517** | **-** | **7 689 430** | **-** | **-** | **25 197 803** | **-22 730 632** | **879 597 117** |
| **INFRASTRUCTURE** |  |  |  |  |  |  |  |  |  |  |
| ROADS AND STORMWATER | 1 758 885 674 | - | 1 758 885 674 | - | - | - |  | 60 953 239 | -14 401 603 | 1 805 437 311 |
| ELECTRICITY | 939 599 606 | - | 939 599 606 | - | 240 000 | - |  | 1 842 428 | -4 657 777 | 937 024 257 |
| AIRPORT | 337 450 | - | 337 450 | - | - | - |  | - | - | 337 450 |
| WATER | 660 027 796 | - | 660 027 796 | - | 7 500 | - |  | 8 049 729 | -4 524 637 | 663 560 388 |
| SEWERAGE | 861 153 696 | - | 861 153 696 | - | 10 004 912 | - |  | 11 150 827 | -2 331 745 | 879 977 690 |
| SOLID WASTE | 98 588 773 | - | 98 588 773 | - | 5 270 200 | - |  | - | -47 620 | 103 811 353 |
| REHABILTATION OF THE LANDFILL SITES | 91 822 339 | - | 91 822 339 | 1 147 166 | - | - |  | - | -4 159 980 | 88 809 525 |
| CEMETERIES | 36 681 731 | - | 36 681 731 | - | - | - |  | - | -3 000 | 36 678 731 |
| **TOTAL INFRASTRUCTURE** | **4 447 097 066** | **-** | **4 447 097 066** | **1 147 166** | **15 522 612** | **-** | **-** | **81 996 222** | **-30 126 361** | **4 515 636 705** |
| **OTHER ASSETS** |  |  |  |  |  |  |  |  |  |  |
| COMPUTER EQUIPMENT | 9 966 060 | - | 9 966 060 | 495 060 | 172 825 | 139 988 | - |  | -1 138 873 | 9 635 060 |
| FURNITURE AND OFFICE EQUIPMENT | 25 920 689 | - | 25 920 689 | 438 350 | 98 098 | 409 466 | 434 009 |  | -946 879 | 26 353 734 |
| MOTOR VEHICLES | 60 264 872 | - | 60 264 872 | 768 092 | 6 621 994 | 310 556 | - |  | -2 069 036 | 65 896 477 |
| PLANT & EQUIPMENT | 36 608 802 | - | 36 608 802 | 278 606 | 1 018 706 | 541 990 | - |  | -6 909 541 | 31 538 564 |
| LIBRARY BOOKS |  |  | 4 460 793 |  | 26 082 | 87 490 |  |  |  | 4 574 366 |
| FINANCED LEASED ASSETS |  |  | 1 416 014 | 569 262 |  |  |  |  | -1 133 244 | 852 032 |
| **TOTAL OTHER ASSETS** | **132 760 423** | **-** | **138 637 230** | **2 549 371** | **7 937 705** | **1 489 490** | **434 009** | **-** | **-12 197 573** | **138 850 233** |
|  |  |  |  |  |  |  |  |  |  |  |
| **ASSETS UNDER CONSTRUCTION** | **132 423 140** | **-** | **132 423 140** | **127 851 296** |  |  |  | **-107 194 025** | **-360 523** | **152 719 888** |
|  |  |  |  |  |  |  |  |  |  |  |
| **TOTAL PPE** | **5 995 327 084** | **-** | **6 001 203 891** | **131 547 832** | **31 149 746** | **1 489 490** | **434 009** | **0** | **-69 557 230** | **6 096 267 740** |
| HERITAGE ASSETS - BUILDINGS & STATUES | 4 643 836 | - | 4 643 836 | - | - | - |  | - | - | 4 643 836 |
| HERITAGE ASSETS - DISPLAY ITEMS | - | 100 706 | 100 706 | Page-88 | - | - | - |  | - | 100 706 |
| **TOTAL AS PER FAR** | **5 999 970 921** | **100 706** | **6 005 948 434** | **131 547 832** | **31 149 746** | **1 489 490** | **434 009** | **0** | **-69 557 230** | **6 101 012 282** |

**APPENDIX B**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **DESCRIPTION** |  | **Accumulated depreciation** | |  |  |
|  | **Balance as per AFS** | **Accumulated depreciation as at 30 June 2014** | **Depreciation charge 2015** | **Disposals** | **Accumulated depreciation as at 30 June 2015** |
| **LAND** |  |  |  |  |  |
| DEVELOPED LAND | **-** | **-** | **-** | **-** | **-** |
| **BUILDINGS** |  |  |  |  |  |
| RESIDENTIAL BUILDINGD | 13 716 024 | 13 716 024 | 688 646 | - | 14 404 670 |
| NON RESIDENTIAS BUILDINGS | 525 690 972 | 525 690 972 | 22 286 160 | -15 954 381 | 532 022 751 |
| **TOTAL BUILDINGS** | **539 406 997** | **539 406 997** | **22 974 805** | **-15 954 381** | **546 427 421** |
| **INFRASTRUCTURE** |  |  |  |  |  |
| ROADS AND STORMWATER | 1 292 351 657 | 1 292 351 657 | 39 748 229 | -11 340 377 | 1 320 759 509 |
| ELECTRICITY | 716 423 855 | 716 423 855 | 18 982 398 | -3 963 744 | 731 442 508 |
| AIRPORT | 263 299 | 263 299 | 20 100 | - | 283 399 |
| WATER | 439 914 984 | 439 914 984 | 20 193 146 | -4 145 831 | 455 962 299 |
| SEWERAGE | 487 530 249 | 487 530 250 | 30 385 845 | -1 451 943 | 516 464 152 |
| SOLID WASTE | 56 259 066 | 56 259 066 | 2 076 929 | -35 562 | 58 300 433 |
| REHABILTATION OF THE LANDFILL SITES | 61 455 614 | 61 455 614 | 2 801 561 | - | 64 257 175 |
| CEMETERIES | 22 501 843 | 22 501 843 | 994 883 | -2 222 | 23 494 504 |
| **TOTAL INFRASTRUCTURE** | **3 076 700 567** | **3 076 700 568** | **115 203 090** | **-20 939 679** | **3 170 963 979** |
| **OTHER ASSETS** |  |  |  |  |  |
| COMPUTER EQUIPMENT |  | 6 100 167 | 1 219 913 | -832 286 | 6 487 794 |
| FURNITURE AND OFFICE EQUIPMENT |  | 18 433 633 | 2 549 874 | -816 331 | 20 167 176 |
| MOTOR VEHICLES |  | 36 572 183 | 4 324 631 | -1 420 964 | 39 475 850 |
| PLANT & EQUIPMENT |  | 24 863 555 | 3 280 324 | -5 117 701 | 23 026 178 |
| LIBRARY BOOKS |  | 2 391 747 | 515 795 |  | 2 907 542 |
| FINANCED LEASED ASSETS |  | 1 139 521 | 287 639 | -1 133 244 | 293 915 |
| **TOTAL OTHER ASSETS** | **-** | **89 500 806** | **12 178 175** | **-9 320 526** | **92 358 455** |
|  |  |  |  |  |  |
| **ASSETS UNDER CONSTRUCTION** | **-** | **-** | **-** | **-** | **-** |
|  |  |  |  |  |  |
| **TOTAL PPE** | **3 616 107 564** | **3 705 608 371** | **150 356 070** | **-46 214 586** | **3 809 749 855** |
| HERITAGE ASSETS - BUILDINGS & STATUES | - | - | - | - | - |
| HERITAGE ASSETS - DISPLAY ITEMS |  | - | Page 89 - | - | - |
| **TOTAL AS PER FAR** | **3 616 107 564** | **3 705 608 371** | **150 356 070** | **-46 214 586** | **3 809 749 855** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **APPENDIX B** |  |  |  |  |  |  |  |
| **DESCRIPTION** |  | **Accumulated impairment** | |  |  |  |  |
|  | **Balance as per AFS** | **Accumulated impairment as at 30 June 2014** | **Impairment loss 2015** | **Disposals** | **Accumulated impairment as at 30 June 2015** |  | **Carrying value 2015** |
| **LAND** |  |  |  |  |  |  |  |
| DEVELOPED LAND | **-** | **-** | **-** | **-** | **-** |  | **409 463 797** |
| **BUILDINGS** |  |  |  |  |  |  |  |
| RESIDENTIAL BUILDINGD | 512 193 | 512 193 | - | - | 512 193 |  | 16 718 325 |
| NON RESIDENTIAS BUILDINGS | 43 449 218 | 43 449 218 | 800 300 | -1 776 071 | 42 473 446 |  | 273 465 732 |
| **TOTAL BUILDINGS** | **43 961 410** | **43 961 410** | **800 300** | **-1 776 071** | **42 985 639** |  | **290 184 057** |
|  | Jnl12 | | | | |  |  |
| **INFRASTRUCTURE** |  |  |  |  |  |  |  |
| ROADS AND STORMWATER | 5 536 771 | 5 536 771 | 377 348 | -17 734 | 5 896 386 |  | 478 781 416 |
| ELECTRICITY | 25 002 410 | 25 002 410 | 52 633 | - | 25 055 043 |  | 180 526 706 |
| AIRPORT | 3 256 | 3 256 | - | - | 3 256 |  | 50 795 |
| WATER | 20 553 235 | 20 553 235 | - | - | 20 553 235 |  | 187 044 854 |
| SEWERAGE | 52 269 806 | 52 269 806 | - | -82 371 | 52 187 435 |  | 311 326 102 |
| SOLID WASTE | 11 428 950 | 11 428 950 | - | -439 | 11 428 511 |  | 34 082 409 |
| REHABILTATION OF THE LANDFILL SITES | - | - | - | - | - |  | 24 552 350 |
| CEMETERIES | 640 514 | 640 514 | 1 179 731 | -185 | 1 820 060 |  | 11 364 167 |
| **TOTAL INFRASTRUCTURE** | **115 434 942** | **115 434 942** | **1 609 712** | **-100 728** | **116 943 926** |  | **1 227 728 800** |
| **OTHER ASSETS** |  |  |  |  |  |  |  |
| COMPUTER EQUIPMENT |  | 278 542 | 6 886 | -19 246 | 266 182 |  | 2 881 084 |
| FURNITURE AND OFFICE EQUIPMENT |  | 628 779 | 34 351 | -13 656 | 649 474 |  | 5 537 083 |
| MOTOR VEHICLES |  | 1 059 379 | - | -59 017 | 1 000 362 |  | 25 420 265 |
| PLANT & EQUIPMENT |  | 517 747 | 2 651 | -20 791 | 499 607 |  | 8 012 779 |
| LIBRARY BOOKS |  |  |  |  |  |  | 1 666 824 |
| FINANCED LEASED ASSETS |  |  |  |  |  |  | 558 117 |
| **TOTAL OTHER ASSETS** | **-** | **2 484 447** | **43 888** | **-112 710** | **2 415 625** |  | **44 076 152** |
|  |  |  |  |  |  |  |  |
| **ASSETS UNDER CONSTRUCTION** | **-** | **-** | **-** | **-** | **-** |  | **152 719 888** |
|  |  |  |  |  |  |  |  |
| **TOTAL PPE** | **159 396 353** | **161 880 800** | **2 453 899** | **-1 989 509** | **162 345 190** |  | **2 124 172 694** |
| HERITAGE ASSETS - BUILDINGS & STATUES | - | - | - | - | - |  | 4 643 836 |
| HERITAGE ASSETS - DISPLAY ITEMS |  | - |  | - | - |  | 100 706 |
| **TOTAL AS PER FAR** | **159 396 353** | **161 880 800** | **2 453 899** | **-1 989 509** | **162 345 190** |  | **2 128 917 237** |
|  |  |  |  |  |  |  |  |

**APPENDIX C**

**SCHEDULE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name of grants** | **Name of grantor** | **Quarterly receipts** | | | | | **Quarterly expenditure** | | | | | **Total unspent** |
| **Sep** | **Dec** | **Mar** | **Jun** | **Total receipts** | **Sep** | **Dec** | **Mar** | **Jun** | **Total expenditure** |
| Equitable share | Treasury | 76 626 000 | 64 528 000 | - | 52 429 000 | 193 583 000 | 25 867 586 | 9 596 538 | 9 497 866 | 148 621 011 | 193 583 000 | - |
| Extended public works programme | Treasury | 828 000 | 622 000 | 621 000 | - | 2 071 000 | 2 071 000 | - | - | - | 2 071 000 | - |
| Financial Management Grant | Treasury | 1 600 000 | - | - | - | 1 600 000 | 82 235 | - | 340 631 | 1 177 134 | 1 600 000 | - |
| Municipal Infrastructure Skills Development | Treasury | 9 000 000 | - | 17 000 000 | - | 26 000 000 | - | 11 087 719 | 14 912 281 | - | 26 000 000 | - |
| Municipal Infrastructure Grant | Treasury | 36 353 000 | 25 928 000 | 21 500 000 | - | 83 781 000 | 22 592 357 | 26 370 179 | 9 757 822 | 14 096 576 | 72 816 934 | 10 964 066 |
| Municipal system improvement Grant | Treasury | 934 000 | - | - | - | 1 824 000 | - | - | 247 064 | 1 576 089 | 1 823 153 | 847 |
| Human Settlement Grant | Human settlement | 22 291 088 | 19 301 289 | 5 082 657 | 15 020 | 40 960 070 | 19 406 276 | 18 664 081 | - | 9 441 947 | 47 512 305 | -6 552 235 |
| Assets | Gert Sibande District Municipality | 2 268 179 | - | - | 1 836 335 | 1 224 783 | - | 441 037 | - | 797 430 | 1 238 467 | -13 684 |
| Assets | Department of Environmental Affairs |  |  |  | 6 133 242 | 6 133 242 | - | - | - | 6 133 242 | 6 133 242 | - |
| Pre-capacity Grant | Department of Houing | 363 943 | - | 56 063 | - | 420 006 | 1 060 | 352 968 | - | 65 977 | 420 006 | 0 |
| Assets | Rand water | - | - | - | 193 641 | 193 641 | - |  |  | 193 641 | 193 641 | - |
| Smart grid system | SANEDI | - | - | - | 1 500 000 | 1 500 000 | - | - | - | 1 500 000 | 1 500 000 | - |
| Assets | Sasol | - | 15 116 475 | - | 22 291 956 | 37 408 431 | - | - | - | 22 318 038 | 22 318 038 | 15 116 475 |
| Assets | Sonland Ontwikkeling | - | - | - | 1 692 000 | 1 692 000 | - |  |  | 1 692 000 | 1 692 000 | - |
| Sports & Development Grant | Department of Sport & Recreation | - | - | - | 475 585 | 475 585 | - | - | - | 21 900 | 21 900 | 453 685 |

**Totals 150 264 210 125 495 764 44 259 720 86 566 779 398 866 759 70 020 514 66 512 522 34 755 664 207 634 986 378 923 687 19 969 155**

**A PPENDIX C**

**SCHEDULE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name of grants** | **Name of grantor** | **Quarterly receipts** | | | | | **Quarterly expenditure** | | | | | **Total unspent** |
| **Sep** | **Dec** | **Mar** | **Jun** | **Total receipts** | **Sep** | **Dec** | **Mar** | **Jun** | **Total expenditure** |
| Equitable share | Treasury | 76 626 000 | 64 528 000 | - | 52 429 000 | 193 583 000 | 25 867 586 | 9 596 538 | 9 497 866 | 148 621 011 | 193 583 000 | - |
| Extended public works programme | Treasury | 828 000 | 622 000 | 621 000 | - | 2 071 000 | 2 071 000 | - | - | - | 2 071 000 | - |
| Financial Management Grant | Treasury | 1 600 000 | - | - | - | 1 600 000 | 82 235 | - | 340 631 | 1 177 134 | 1 600 000 | - |
| Municipal Infrastructure Skills Development | Treasury | 9 000 000 | - | 17 000 000 | - | 26 000 000 | - | 11 087 719 | 14 912 281 | - | 26 000 000 | - |
| Municipal Infrastructure Grant | Treasury | 36 353 000 | 25 928 000 | 21 500 000 | - | 83 781 000 | 22 592 357 | 26 370 179 | 9 757 822 | 14 096 576 | 72 816 934 | 10 964 066 |
| Municipal system improvement Grant | Treasury | 934 000 | - | - | - | 1 824 000 | - | - | 247 064 | 1 576 089 | 1 823 153 | 847 |
| Human Settlement Grant | Human settlement | 22 291 088 | 19 301 289 | 5 082 657 | 15 020 | 40 960 070 | 19 406 276 | 18 664 081 | - | 9 441 947 | 47 512 305 | -6 552 235 |
| Assets | Gert Sibande District Municipality | 2 268 179 | - | - | 1 836 335 | 1 224 783 | - | 441 037 | - | 797 430 | 1 238 467 | -13 684 |
| Assets | Department of Environmental Affairs |  |  |  | 6 133 242 | 6 133 242 | - | - | - | 6 133 242 | 6 133 242 | - |
| Pre-capacity Grant | Department of Houing | 363 943 | - | 56 063 | - | 420 006 | 1 060 | 352 968 | - | 65 977 | 420 006 | 0 |
| Assets | Rand water | - | - | - | 193 641 | 193 641 | - |  |  | 193 641 | 193 641 | - |
| Smart grid system | SANEDI | - | - | - | 1 500 000 | 1 500 000 | - | - | - | 1 500 000 | 1 500 000 | - |
| Assets | Sasol | - | 15 116 475 | - | 22 291 956 | 37 408 431 | - | - | - | 22 318 038 | 22 318 038 | 15 116 475 |
| Assets | Sonland Ontwikkeling | - | - | - | 1 692 000 | 1 692 000 | - |  |  | 1 692 000 | 1 692 000 | - |
| Sports & Development Grant | Department of Sport & Recreation | - | - | - | 475 585 | 475 585 | - | - | - | 21 900 | 21 900 | 453 685 |

Totals 150 264 210 125 495 764 44 259 720 86 566 779 398 866 759 70 020 514 66 512 522 34 755 664 207 634 986 378 923 687 19 969 155