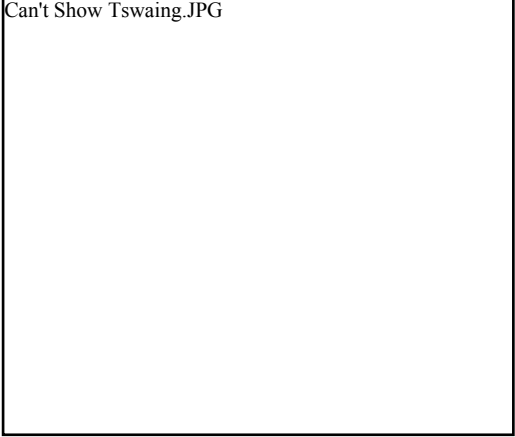


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Tswaing Local Municipality  
Annual financial statements  
for the year ended 30 June 2015

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## General Information

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### Mayoral committee

Executive Mayor

Mr KC Mogatusi  
Mrs MT Mokgethi - Speaker  
Mr TS Heneck - Chief Whip  
Mr AT Mabove - Member (EXCO)  
Mr AM Motjale - Member (EXCO)  
Miss AM Mokwatsi - Member (EXCO)  
Mrs C Visser - Member (EXCO)

Councillors

Mr MP Mphsapudi  
Miss KM Lobelo  
Mr SS Dirulelo  
TM Seitisho  
E Galoitsiwe  
B Groenewaldt  
S Kgori  
LB Noko  
DL Malwane  
T Miga  
KM Bantsijang  
S Botswe  
J Vis  
Mr L Lerumo  
Mr VT Mathiba  
Mr GM Dikolomela  
Mr S Tsholo  
Miss KV Mohubuke  
Mr MS Letlakane  
Mr F Bam  
Mrs GM Malumane  
Mrs Taljaard

Grading of local authority

Low capacity

Chief Finance Officer (CFO)

Mrs S Pelele (Acting)

Accounting Officer

Mr M Morwe (Acting)

Registered office

Cnr. General Deleray and Government Street  
Delareyville  
2770

Business address

Cnr. General Deleray and Government Street  
Delareyville  
2770

Postal address

P O Box24  
Delareyville  
2770

Bankers

First National Bank

Auditors

Auditor General South Africa

Telephone number

(053) 948 9403

# **Tswaing Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

## **General Information**

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**Fax number**

(053) 948 1500

**E-mail address**

spelele2506@yahoo.com

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Index

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

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### Abbreviations

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

# **Tswaing Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

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

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

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

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

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

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

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

The annual financial statements set out on pages 5 to 40, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

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**Accounting Officer**  
**Mr MD Morwe**

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Position as at 30 June 2015

Figures in Rand	Note	2015	2014 Restated*
<b>Assets</b>			
Current Assets			
Inventories	5	841 755	773 768
Other receivables from exchange transactions	6	2 746 432	450 170
Trade receivables from exchange transactions	7	14 041 706	13 198 727
Cash and cash equivalents	8	102	102
		<b>17 629 995</b>	<b>14 422 767</b>
Non-Current Assets			
Investment property	2	20 664 711	18 958 451
Property, plant and equipment	3	456 458 200	520 396 950
Other financial assets	4	611 168	568 633
Eskom deposit		300 000	300 000
		<b>478 034 079</b>	<b>540 224 034</b>
<b>Total Assets</b>		<b>495 664 074</b>	<b>554 646 801</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	11	105 844 375	89 374 110
VAT payable	12	9 019 867	6 355 800
Consumer deposits	13	1 219 743	1 165 985
Unspent conditional grants and receipts	9	2 621 801	(1 352 412)
Provisions	10	1 425 530	1 418 521
Bank overdraft	8	1 367 888	7 564 510
		<b>121 499 204</b>	<b>104 526 514</b>
Non-Current Liabilities			
Provisions	10	47 708 607	46 119 310
<b>Total Liabilities</b>		<b>169 207 811</b>	<b>150 645 824</b>
<b>Net Assets</b>		<b>326 456 263</b>	<b>404 000 977</b>
Accumulated surplus		326 456 263	404 000 977

\* See Note 33

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Financial Performance

Figures in Rand	Note	2015	2014 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	16	53 640 248	47 799 395
Rental of facilities and equipment		485 573	614 707
Licences and permits		1 390 955	2 249 707
Commissions received		248 178	1 040 512
Donations		-	3 121 787
Other income		1 388 667	1 244 717
Interest received - investment		106 161	142 520
Dividends received		13 253	15 073
<b>Total revenue from exchange transactions</b>		<b>57 273 035</b>	<b>56 228 418</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	15	13 110 900	12 160 200
<b>Transfer revenue</b>			
Government grants & subsidies		123 556 987	127 984 459
<b>Total revenue from non-exchange transactions</b>		<b>136 667 887</b>	<b>140 144 659</b>
<b>Total revenue</b>	14	<b>193 940 922</b>	<b>196 373 077</b>
<b>Expenditure</b>			
Personnel	20	(64 177 046)	(65 106 978)
Remuneration of councillors	21	(8 483 498)	(8 975 423)
Depreciation and amortisation	23	(104 674 619)	(35 653 366)
Finance costs	24	(3 380 730)	(762)
Debt impairment	22	(15 726 870)	(26 584 247)
Repairs and maintenance		(5 866 024)	(4 074 130)
Bulk purchases	27	(27 425 905)	(27 032 074)
Contracted services	26	(3 412 220)	(4 841 437)
General Expenses	18	(46 630 993)	(32 327 625)
<b>Total expenditure</b>		<b>(279 777 905)</b>	<b>(204 596 042)</b>
<b>Operating deficit</b>	19	<b>(85 836 983)</b>	<b>(8 222 965)</b>
Actuarial gains		5 224 000	2 631 000
Fair value adjustment		1 748 795	247 224
		<b>6 972 795</b>	<b>2 878 224</b>
<b>Deficit for the year</b>		<b>(78 864 188)</b>	<b>(5 344 741)</b>

\* See Note 33

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2013</b>	<b>409 345 718</b>	<b>409 345 718</b>
Changes in net assets		
Surplus for the year	(5 344 741)	(5 344 741)
Total changes	(5 344 741)	(5 344 741)
<b>Restated* Balance at 01 July 2014</b>	<b>404 000 977</b>	<b>404 000 977</b>
Changes in net assets		
Surplus for the year	(78 864 188)	(78 864 188)
Total changes	(78 864 188)	(78 864 188)
<b>Balance at 30 June 2015</b>	<b>326 456 263</b>	<b>326 456 263</b>

\* See Note 33

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Cash Flow Statement

Figures in Rand	Note	2015	2014 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash received from customers		54 471 316	64 943 213
Grants		125 031 200	113 196 200
Interest income		106 161	142 520
Dividends received		13 253	15 073
		<u>179 621 930</u>	<u>178 297 006</u>
<b>Payments</b>			
Employee costs		(72 395 089)	(74 082 401)
Cash paid to suppliers		(89 350 947)	(57 582 111)
Finance costs		(3 380 730)	(762)
		<u>(165 126 766)</u>	<u>(131 665 274)</u>
<b>Net cash flows from operating activities</b>	28	<b><u>45 368 940</u></b>	<b><u>45 673 948</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	<u>(41 765 318)</u>	<u>(46 309 826)</u>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		2 593 000	-
Movement in other liability 1		-	(8 672)
<b>Net cash flows from financing activities</b>		<b><u>2 593 000</u></b>	<b><u>(8 672)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b><u>6 196 622</u></b>	<b><u>(644 550)</u></b>
Cash and cash equivalents at the beginning of the year		(7 564 408)	(6 919 858)
<b>Cash and cash equivalents at the end of the year</b>	8	<b><u>(1 367 786)</u></b>	<b><u>(7 564 408)</u></b>

\* See Note 33

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	56 769 750	-	<b>56 769 750</b>	53 640 248	<b>(3 129 502)</b>	Less revenue due to loss in electricity distribution
Rental of facilities and equipment	577 670	-	<b>577 670</b>	485 573	<b>(92 097)</b>	
Licences and permits	1 968 911	-	<b>1 968 911</b>	1 390 955	<b>(577 956)</b>	More licences and permits issued increased therefore increasing the revenue
Commissions received	118 540	-	<b>118 540</b>	248 178	<b>129 638</b>	
Other income	5 166 107	-	<b>5 166 107</b>	1 388 667	<b>(3 777 440)</b>	Less revenue due to claims to district municipality not paid
Interest received - investment	26 597	-	<b>26 597</b>	106 161	<b>79 564</b>	
Dividends received	-	-	-	13 253	<b>13 253</b>	
<b>Total revenue from exchange transactions</b>	<b>64 627 575</b>	-	<b>64 627 575</b>	<b>57 273 035</b>	<b>(7 354 540)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	10 840 720	-	<b>10 840 720</b>	13 110 900	<b>2 270 180</b>	The increase is due to supplementary valuation roll for government properties
Government grants & subsidies	106 131 200	-	<b>106 131 200</b>	123 556 987	<b>17 425 787</b>	
<b>Total revenue from non-exchange transactions</b>	<b>116 971 920</b>	-	<b>116 971 920</b>	<b>136 667 887</b>	<b>19 695 967</b>	
<b>Total revenue</b>	<b>181 599 495</b>	-	<b>181 599 495</b>	<b>193 940 922</b>	<b>12 341 427</b>	
<b>Expenditure</b>						
Personnel	(63 793 425)	-	<b>(63 793 425)</b>	(64 177 046)	<b>(383 621)</b>	The actual personnel cost include accrued leave expense which is not budgeted for
Remuneration of councillors	(8 140 602)	-	<b>(8 140 602)</b>	(8 483 498)	<b>(342 896)</b>	

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Depreciation and amortisation	993 841	(993 841)	-	(104 674 619)	<b>(104 674 619)</b>	Depreciation was a considerable amount due to unbundling of assets in accordance with GRAP 17. and was not budgeted for.
Finance costs	(60 000)	60 000	-	(3 380 730)	<b>(3 380 730)</b>	Due to provision of impairment for debtors according to GRAP 24.
Debt impairment	5 860 987	(5 860 987)	-	(15 726 870)	<b>(15 726 870)</b>	
Repairs and maintenance	(6 135 660)	-	<b>(6 135 660)</b>	(5 866 024)	<b>269 636</b>	
Bulk purchases	(31 661 785)	-	<b>(31 661 785)</b>	(27 425 905)	<b>4 235 880</b>	
Contracted Services	(4 595 015)	-	<b>(4 595 015)</b>	(3 412 220)	<b>1 182 795</b>	
General Expenses	(114 386 487)	-	<b>(114 386 487)</b>	(46 630 993)	<b>67 755 494</b>	
<b>Total expenditure</b>	<b>(221 918 146)</b>	<b>(6 794 828)</b>	<b>(228 712 974)</b>	<b>(279 777 905)</b>	<b>(51 064 931)</b>	
<b>Operating deficit</b>	<b>(40 318 651)</b>	<b>(6 794 828)</b>	<b>(47 113 479)</b>	<b>(85 836 983)</b>	<b>(38 723 504)</b>	
Acturial gains	-	-	-	5 224 000	<b>5 224 000</b>	
Fair value adjustments	-	-	-	1 748 795	<b>1 748 795</b>	
	-	-	-	<b>6 972 795</b>	<b>6 972 795</b>	
<b>Deficit for the year from operations</b>	<b>(40 318 651)</b>	<b>(6 794 828)</b>	<b>(47 113 479)</b>	<b>(78 864 188)</b>	<b>(31 750 709)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(40 318 651)</b>	<b>(6 794 828)</b>	<b>(47 113 479)</b>	<b>(78 864 188)</b>	<b>(31 750 709)</b>	

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

#### 1.3 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:

#### 1.4 Investment property

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

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

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

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

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

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

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

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 interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

#### 1.5 Property, plant and equipment

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

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

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 or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets 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 municipality 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.

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

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

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

# **Tswaing Local Municipality**

Annual Financial Statements for the year ended 30 June 2015

## **Accounting Policies**

---

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

The residual value, the useful life and depreciation method of each asset are reviewed at least at 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 municipality 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 or disposal of the asset.

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

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

### **1.6 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.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

---

### 1.6 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.

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.6 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;
- 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.

### 1.7 Leases

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

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

### 1.8 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.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.8 Inventories (continued)

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.

### 1.9 Employee benefits

### 1.10 Provisions and contingencies

Provisions are recognised when:

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

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

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

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

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

Provisions are not recognised for future operating deficits.

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

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

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

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

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

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

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

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

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

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.10 Provisions and contingencies (continued)

#### Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

### 1.11 Revenue from exchange transactions

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

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

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

### 1.12 Revenue from non-exchange transactions

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

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

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

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

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

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

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

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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

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

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

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

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

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

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

### 1.13 Investment income

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

### 1.14 Comparative figures

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

### 1.15 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.16 Fruitless and wasteful expenditure

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

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

### 1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Accounting Policies

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### 1.17 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

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

### 1.18 Budget information

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

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

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

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

The budget for the economic entity includes all the entities approved budgets under its control.

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

### 1.19 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.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 2. Investment property

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	20 664 711	-	20 664 711	18 958 451	-	18 958 451

#### Reconciliation of investment property - 2015

	Opening balance	Fair value adjustments	Total
Investment property	18 958 451	1 706 260	20 664 711

#### Reconciliation of investment property - 2014

	Opening balance	Transfers	Total
Investment property	32 072 780	(13 114 329)	18 958 451

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand

2015

2014

### 3. 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 and buildings	125 443 942	(52 007 104)	73 436 838	125 443 943	(40 167 803)	85 276 140
Machinery and equipment	1 073 616	(105 076)	968 540	185 790	(67 917)	117 873
Furniture and fixtures	1 641 158	(1 128 835)	512 323	1 641 156	(894 385)	746 771
Motor vehicles	11 445 959	(7 646 439)	3 799 520	11 445 959	(5 357 249)	6 088 710
Office equipment	225 861	(97 062)	128 799	99 303	(63 964)	35 339
Computer equipment	683 558	(586 344)	97 214	660 884	(366 070)	294 814
Work in progress	73 290 405	-	73 290 405	72 203 127	-	72 203 127
Infrastructure	514 900 730	(284 416 516)	230 484 214	492 665 666	(223 934 994)	268 730 672
Infrastructure - community	200 007 819	(129 381 043)	70 626 776	184 431 909	(100 106 233)	84 325 676
Other assets	323 301	(323 301)	-	323 301	(215 831)	107 470
Game	3 113 571	-	3 113 571	2 470 358	-	2 470 358
<b>Total</b>	<b>932 149 920</b>	<b>(475 691 720)</b>	<b>456 458 200</b>	<b>891 571 396</b>	<b>(371 174 446)</b>	<b>520 396 950</b>

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

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land and buildings	85 276 140	-	-	-	(11 839 302)	73 436 838
Machinery and equipment	117 873	887 826	-	-	(37 159)	968 540
Furniture and fixtures	746 771	-	-	-	(234 448)	512 323
Motor vehicles	6 088 710	-	-	-	(2 289 190)	3 799 520
Office equipment	35 339	126 558	-	-	(33 098)	128 799
Computer equipment	294 814	22 674	-	-	(220 274)	97 214
Work in progress	72 203 127	40 728 260	(39 640 982)	-	-	73 290 405
Infrastructure	268 730 672	-	22 386 724	-	(60 633 182)	230 484 214
Infrastructure - community	84 325 676	-	15 575 908	-	(29 274 808)	70 626 776
Other assets	107 470	-	-	-	(107 470)	-
Game	2 470 358	-	-	643 213	-	3 113 571
	<b>520 396 950</b>	<b>41 765 318</b>	<b>(1 678 350)</b>	<b>643 213</b>	<b>(104 668 931)</b>	<b>456 458 200</b>

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

	Opening balance	Additions	Transfers	Depreciation	Total
Buildings	89 979 151	-	-	(4 703 011)	85 276 140
Machinery and equipment	71 820	64 800	-	(18 747)	117 873
Furniture and fixtures	891 427	79 399	-	(224 055)	746 771
Motor vehicles	2 915 494	551 123	3 117 265	(495 172)	6 088 710
Office equipment	55 200	-	-	(19 861)	35 339
Computer equipment	491 158	18 345	-	(214 689)	294 814
Work in progress	41 010 188	45 583 161	(14 390 222)	-	72 203 127
Infrastructure	290 702 341	-	-	(21 971 669)	268 730 672
Infrastructure community	78 283 440	-	15 653 992	(9 611 756)	84 325 676
Other assets	164 463	12 998	-	(69 991)	107 470
Game	2 470 358	-	-	-	2 470 358
	<b>507 035 040</b>	<b>46 309 826</b>	<b>4 381 035</b>	<b>(37 328 951)</b>	<b>520 396 950</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>4. Other financial assets</b>		
<b>Designated at fair value</b>		
Listed shares	611 168	568 633
<b>Non-current assets</b>		
Designated at fair value	611 168	568 633
<b>5. Inventories</b>		
Stores, materials and fuels	841 755	773 768
<b>Inventory pledged as security</b>		
No inventory was pledged as security.		
<b>6. Other receivables from exchange transactions</b>		
Other receivables	2 746 432	450 170
<b>7. Trade and other receivables from exchange transactions</b>		
<b>Gross balances</b>		
Rates	37 858 071	32 969 151
Electricity	26 430 250	32 708 615
Water	32 657 624	29 111 242
Other	468 379	283 913
Sewerage	53 863 894	48 242 112
Refuse	47 487 119	41 598 944
VAT on debtors	11 327 113	8 608 624
	<b>210 092 450</b>	<b>193 522 601</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors impairment	(196 050 744)	(180 323 874)
<b>Net balance</b>		
Rates	37 858 071	32 969 151
Electricity	26 430 250	32 708 615
Water	32 657 624	29 111 242
Other	468 379	283 913
Sewerage	53 863 894	48 242 112
Refuse	47 487 119	41 598 944
VAT on debtors	11 327 113	8 608 624
Allowance for impairment	(196 050 744)	(180 323 874)
	<b>14 041 706</b>	<b>13 198 727</b>
<b>Rates</b>		
Current (0 -30 days)	1 062 521	1 033 923
31 - 60 days	1 169 373	892 871
61 - 90 days	921 616	854 971
91 - 120 days	34 704 561	30 187 386
	<b>37 858 071</b>	<b>32 969 151</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>7. Trade and other receivables from exchange transactions (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	1 725 224	2 041 346
31 - 60 days	1 020 870	1 344 433
61 - 90 days	988 325	1 043 725
91 - 120 days	22 695 831	28 279 111
	<b>26 430 250</b>	<b>32 708 615</b>
<b>Water</b>		
Current (0 -30 days)	368 533	483 525
31 - 60 days	488 472	545 629
61 - 90 days	348 223	371 312
91 - 120 days	31 452 396	27 710 776
	<b>32 657 624</b>	<b>29 111 242</b>
<b>Waste water</b>		
Current (0 -30 days)	2 920	7 246
31 - 60 days	4 115	23 667
61 - 90 days	1 600	44 051
91 - 120 days	459 744	208 949
	<b>468 379</b>	<b>283 913</b>
<b>Sewerage</b>		
Current (0 -30 days)	620 429	505 464
31 - 60 days	591 459	467 576
61 - 90 days	561 323	458 007
91 - 120 days	52 090 683	46 811 065
	<b>53 863 894</b>	<b>48 242 112</b>
<b>Refuse</b>		
Current (0 -30 days)	634 731	683 510
31 - 60 days	593 802	626 353
61 - 90 days	571 129	608 676
91 - 120 days	45 687 457	39 680 405
	<b>47 487 119</b>	<b>41 598 944</b>
<b>VAT on debtors</b>		
Current (0 -30 days)	467 036	45 368
31 - 60 days	375 421	30 323
61 - 90 days	343 859	24 008
91 - 120 days	10 140 797	8 508 925
	<b>11 327 113</b>	<b>8 608 624</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(180 323 874)	(153 739 627)
Contributions to allowance	(15 726 870)	(26 584 247)
	<b>(196 050 744)</b>	<b>(180 323 874)</b>
<b>Trade and other pledged as security</b>		
There are no debtors pledged as security for overdraft facilities		

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 7. Trade and other receivables from exchange transactions (continued)

#### Fair value of trade receivables

Consumer debtors	14 041 706	13 198 727
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The net trade and other receivables approximates the fair value.

#### Consumer debtors impaired

As of 30 June 2015, trade and other receivables of R 196 050 744- (2014: R 180 323 874) were impaired and provided for.

The amount of the provision was R 15 726 870- as of 30 June 2015.

#### Reconciliation of allowance for impairment of trade and other receivables

Opening balance	(180 323 874)	(153 739 627)
Allowance for impairment	(15 726 870)	(26 584 247)
	<b>(196 050 744)</b>	<b>(180 323 874)</b>

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	102	102
Bank overdraft	(1 367 888)	(7 564 510)
	<b>(1 367 786)</b>	<b>(7 564 408)</b>
Current assets	102	102
Current liabilities	(1 367 888)	(7 564 510)
	<b>(1 367 786)</b>	<b>(7 564 408)</b>

No cash and cash equivalents have been pledged as security and no restrictions exist on the use of the cash apart from the accounts maintained for conditional grants.

#### 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
First National Bank: Current Account #52050012816	576 298	119 374	62 153	(1 367 786)	(7 584 896)	(8 277 198)
Traffic Fines Account# 62526417086	36 612	-	-	36 612	-	-
Money Market Account # 62263163752	23 138	20 448	1 260 248	23 138	20 488	120 248
<b>Total</b>	<b>636 048</b>	<b>139 822</b>	<b>1 322 401</b>	<b>(1 308 036)</b>	<b>(7 564 408)</b>	<b>(8 156 950)</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>9. Unspent conditional grants and receipts</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Unspent conditional grants and receipts</b>		
MIG	2 930 923	(2 577 884)
FMG	(45 008)	415 117
LIBRARY GRANT	(64 459)	(54 255)
MSIG	417 015	(34 738)
LG SETA	(72 964)	(63 973)
EPWP	(543 706)	(521 578)
INEP	-	1 484 899
	<b>2 621 801</b>	<b>(1 352 412)</b>

## 10. Provisions

### Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	11 992 310	1 692 297	-	13 684 607
Bonus	1 418 521	7 009	-	1 425 530
Employee long service benefit cost	3 930 000	755 000	-	4 685 000
Post employment medical aid liability	30 197 000	-	(858 000)	29 339 000
	<b>47 537 831</b>	<b>2 454 306</b>	<b>(858 000)</b>	<b>49 134 137</b>

### Reconciliation of provisions - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	13 095 377	-	(1 103 067)	-	-	11 992 310
Bonus	1 256 852	161 669	-	-	-	1 418 521
Employee long service benefit cost	3 736 000	612 000	-	(70 000)	(348 000)	3 930 000
Post employment medical aid liability	28 688 000	-	3 722 000	(1 632 000)	(581 000)	30 197 000
	<b>46 776 229</b>	<b>773 669</b>	<b>2 618 933</b>	<b>(1 702 000)</b>	<b>(929 000)</b>	<b>47 537 831</b>

Non-current liabilities	47 708 607	46 119 310
Current liabilities	1 425 530	1 418 521
	<b>49 134 137</b>	<b>47 537 831</b>

## 11. Payables from exchange transactions

Trade payables	85 640 863	68 383 439
Payments received in advanced	425 214	362 372
Retentions	7 345 778	6 046 751
Other payables	3 357 772	3 452 713
Accrued leave pay	9 069 719	11 123 806
Credit card	5 029	5 029
	<b>105 844 375</b>	<b>89 374 110</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>12. VAT payable</b>		
Tax payables	9 019 867	6 355 800
<b>13. Consumer deposits</b>		
Rates	1 219 743	1 165 985
<b>14. Revenue</b>		
Service charges	53 640 248	47 799 395
Rental of facilities and equipment	485 573	614 707
Licences and permits	1 390 955	2 249 707
Commissions received	248 178	1 040 512
Royalties received	-	3 121 787
Other income	1 388 667	1 244 717
Interest received	106 161	142 520
Dividends received	13 253	15 073
Property rates	13 110 900	12 160 200
Government grants & subsidies	123 556 987	127 984 459
	<b>193 940 922</b>	<b>196 373 077</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	53 640 248	47 799 395
Rental of facilities and equipment	485 573	614 707
Licences and permits	1 390 955	2 249 707
Commissions received	248 178	1 040 512
Royalties received	-	3 121 787
Other income	1 388 667	1 244 717
Interest received - investment	106 161	142 520
Dividends received	13 253	15 073
	<b>57 273 035</b>	<b>56 228 418</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	13 110 900	12 160 200
<b>Transfer revenue</b>		
Government grants & subsidies	123 556 987	127 984 459
	<b>136 667 887</b>	<b>140 144 659</b>
<b>15. Property rates</b>		
<b>Rates received</b>		
Property rates	13 110 900	12 160 200
<b>16. Service charges</b>		
Sale of electricity	32 953 203	29 441 504
Sale of water	5 308 271	5 198 229
Sewerage and sanitation charges	7 138 851	3 900 802
Refuse removal	7 961 030	9 155 636
Consumer services	278 893	103 224
	<b>53 640 248</b>	<b>47 799 395</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>17. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	73 120 000	68 209 000
FMG	2 260 125	1 234 883
Ngaka Modiri Molema District Municipality	2 500 000	221 582
EPWP	1 114 128	1 601 119
LG SETA	241 191	404 173
MSIG	482 247	911 739
LIBRARY GRANT	370 204	414 255
	<b>80 087 895</b>	<b>72 996 751</b>
<b>Capital grants</b>		
MIG	41 984 193	38 720 904
INEP	1 484 899	16 266 804
	<b>43 469 092</b>	<b>54 987 708</b>
	<b>123 556 987</b>	<b>127 984 459</b>

### Equitable Share

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

#### MIG

Balance unspent at beginning of year	(2 577 884)	1 611 020
Current-year receipts	47 493 000	23 407 000
Conditions met - transferred to revenue	(41 984 193)	(38 720 904)
Other	-	11 125 000
	<b>2 930 923</b>	<b>(2 577 884)</b>

Conditions still to be met - remain liabilities (see note 9).

The Grant (Municipal Infrastructure Grant - MIG) is intended to provide specific capital finance for basic municipal infrastructure backlogs for poor households ,micro enterprises and social institutions servicing poor communities.

#### FMG

Balance unspent at beginning of year	415 117	-
Current-year receipts	1 800 000	1 650 000
Conditions met - transferred to revenue	(2 260 125)	(1 234 883)
	<b>(45 008)</b>	<b>415 117</b>

Conditions still to be met - remain liabilities (see note 9).

To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

#### LIBRARY GRANT

Balance unspent at beginning of year	(54 255)	-
Current-year receipts	360 000	360 000
Conditions met - transferred to revenue	(370 204)	(414 255)
	<b>(64 459)</b>	<b>(54 255)</b>

Conditions still to be met - remain liabilities (see note 9).

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 17. Government grants and subsidies (continued)

To provide the municipality with finance for the operation and administration of Atamelang and Gaanalagte Community Library.

#### MSIG

Balance unspent at beginning of year	(34 738)	(12 999)
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(482 247)	(911 739)
	<b>417 015</b>	<b>(34 738)</b>

Conditions still to be met - remain liabilities (see note 9).

To assist the Municipality in building in house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems as required in the the Municipal Systems Act (MSA) and related legislation ,policies and local government turnaround strategy.

#### LG SETA

Balance unspent at beginning of year	(63 973)	-
Current-year receipts	232 200	340 200
Conditions met - transferred to revenue	(241 191)	(404 173)
	<b>(72 964)</b>	<b>(63 973)</b>

Conditions still to be met - remain liabilities (see note 9).

#### EPWP

Balance unspent at beginning of year	(521 578)	79 541
Current-year receipts	1 092 000	1 000 000
Conditions met - transferred to revenue	(1 114 128)	(1 601 119)
	<b>(543 706)</b>	<b>(521 578)</b>

Conditions still to be met - remain liabilities (see note 9).

To incentivise municipalities to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour-intensive methods and the expansion of job creation in line with the Expanded Public Works Programme (EPWP) guidelines.

#### INEP

Balance unspent at beginning of year	1 484 899	(659 243)
Current-year receipts	-	17 000 000
Conditions met - transferred to revenue	(1 484 899)	(16 266 804)
Other	-	1 410 946
	<b>-</b>	<b>1 484 899</b>

Conditions still to be met - remain liabilities (see note 9).

To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>18. General expenses</b>		
Advertising	192 556	346 380
Auditors remuneration	3 116 084	2 169 259
Bank charges	381 257	304 787
Casual wages	1 070 623	802 851
Consulting and professional fees	1 989 105	4 377 016
Consumables	93 685	140 762
Contribution to landfill site provision	1 502 567	(1 103 067)
Electricity	5 065 137	-
Entertainment	37 009	369 684
Electricity Purchase: Small Accounts	3 794 848	1 740 555
Financial systems	1 671 537	205 038
Fines and penalties	6 504 257	484 154
Fuel and oil	1 214 941	1 066 555
IDP	16 160	29 272
Indigent support	1 501 346	1 728 101
Industrial council levy	20 555	20 043
Insurance	10 700	688 065
LG SETA Learnership	286 406	423 034
Lease rentals on operating lease	744 801	1 303 643
Licence fees	269 537	352 598
Local economic development	-	106 032
Past service and interest cost	1 930 000	4 334 000
Loose tools	8 966	20 470
MSIG expenses	860 851	1 005 500
Mayoral projects	91 296	117 309
Medical examination	13 500	203 068
Membership fees	1 373 172	566 944
Postage and courier	417	6 459
Prepaid electricity	724 558	871 938
Printing and stationery	1 375 652	507 608
Protective clothing	508 103	358 213
Public participation	1 129 508	493 713
Reference books and periodicals	11 613	58 965
Refuse	88 396	-
Security	864 337	289 917
Sewerage and waste disposal	11 886	-
Special projects	-	121 681
Stock-take write off	1 429 312	293 814
Strategic planning	29 200	89 984
Telephone and fax	2 695 093	2 835 340
Town cleaning (EPWP)	-	1 630 663
Township development	-	526 202
Training	1 657 796	193 471
Travel - local	2 327 192	2 247 604
Water	17 034	-
	<b>46 630 993</b>	<b>32 327 625</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>19. Operating deficit</b>		
Operating deficit for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Equipment		
• Contractual amounts	744 801	1 303 643
Fair value adjustment	(1 748 795)	(247 224)
Depreciation on property, plant and equipment	104 674 619	35 653 366
Employee costs	72 660 544	74 082 401

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>20. Employee related costs</b>		
Basic	41 060 289	40 050 886
Bonus	3 266 241	3 217 499
Acting allowances	595 275	545 850
Defined contribution plans	338 671	290 070
Housing benefits and allowances	454 460	616 019
Leave expense	838 104	1 857 874
Long-term benefits	8 111 100	7 681 307
Medical aid - company contributions	3 601 412	3 387 627
Overtime payments	2 604 278	3 650 382
SDL	710 177	614 512
Stand by allowance	638 911	683 312
Telephone allowance	86 856	22 688
Travel, motor car, accommodation, subsistence and other allowances	1 478 873	1 509 567
UIF	392 399	392 840
WCA	-	586 545
	<b>64 177 046</b>	<b>65 106 978</b>

Included in the total for employee costs above are remuneration of individual executive managers as detailed below:

### Remuneration of municipal manager

Annual Remuneration	574 020	557 010
Backpay	-	17 010
Contributions to UIF, Medical and Pension Funds	187 829	184 182
Travel, motor car, accommodation, subsistence	496 702	432 308
	<b>1 258 551</b>	<b>1 190 510</b>

### Remuneration of chief finance officer

Annual Remuneration	335 199	237 000
Contributions to UIF, Medical and Pension Funds	179 034	1 689
Backpay	-	64 464
Travel, motor car, accommodation, subsistence	307 824	171 090
	<b>822 057</b>	<b>474 243</b>

### Remuneration of community services manager

Annual Remuneration	335 199	133 167
Backpay	-	95 880
Contributions to UIF, Medical and Pension Funds	114 559	1 487
Travel, motor car, accommodation, subsistence	163 008	89 211
	<b>612 766</b>	<b>319 745</b>

### Remuneration of technical services manager

Annual Remuneration	335 198	133 167
Backpay	-	53 693
Contributions to UIF, Medical and Pension Funds	102 869	1 487
Travel, motor car, accommodation, subsistence	177 501	79 333
	<b>615 568</b>	<b>267 680</b>

### Remuneration of corporate services manager

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>20. Employee related costs (continued)</b>		
Annual Remuneration	339 738	329 669
Backpay	-	10 069
Contributions to UIF, Medical and Pension Funds	39 569	39 569
Travel, motor car, accommodation, subsistence	263 459	250 194
	<b>642 766</b>	<b>629 501</b>
<b>21. Remuneration of councillors</b>		
Councillors	5 585 476	5 666 829
Medical and pension contribution	692 079	1 237 518
Travel and other allowances	2 205 943	2 071 076
	<b>8 483 498</b>	<b>8 975 423</b>
<b>22. Debt impairment</b>		
Contributions to debt impairment provision	15 726 870	26 584 247
<b>23. Depreciation and amortisation</b>		
Property, plant and equipment	104 674 619	35 653 366
<b>24. Finance costs</b>		
Interest cost on long term provisions	3 380 730	762
<b>25. Auditors' remuneration</b>		
Fees	3 116 084	2 169 259
<b>26. Contracted services</b>		
Specialist Services	590 172	2 464 840
Other Contractors	2 822 048	2 376 597
	<b>3 412 220</b>	<b>4 841 437</b>
<b>27. Bulk purchases</b>		
Electricity	26 642 254	26 268 418
Water	783 651	763 656
	<b>27 425 905</b>	<b>27 032 074</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>28. Cash generated from operations</b>		
Deficit	(78 864 188)	(5 344 741)
<b>Adjustments for:</b>		
Depreciation and amortisation	104 674 619	35 653 366
Loss on sale of assets and liabilities	(1 748 795)	(247 224)
Fair value adjustments	(2 593 000)	(2 631 000)
Debt impairment	15 726 870	26 584 247
Movements in provisions	1 596 306	761 602
Movement in tax receivable and payable	-	2 313 983
Prior year adjustments(Human Settlement)	(171 385)	5 106 730
Other non-cash items (Adjustment for leave provision)	-	3 399 597
Donated Assets	-	(3 121 787)
<b>Changes in working capital:</b>		
Inventories	(67 987)	(330 212)
Other receivables from exchange transactions	(2 296 262)	333 538
Consumer debtors	(16 569 849)	(26 231 951)
Payables from exchange transactions	16 470 264	17 315 861
VAT	2 664 067	(5 456 944)
Unspent conditional grants and receipts	3 974 213	(2 370 731)
Consumer deposits	53 758	(60 386)
	<b>45 368 940</b>	<b>45 673 948</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 29. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	12 120 044	14 613 079
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#### Operating lease expense (Kyocera)

The municipality entered into a contract with Kyocera for the leasing of photocopying machines, where the municipality will pay monthly rentals of R59,990 for a period of 36 months. Commitments regarding the contract are as follows.

##### Minimum lease payments due

- within one year	719 880	479 920
- in second to fifth year inclusive	959 840	1 679 720
	<b>1 679 720</b>	<b>2 159 640</b>

#### Operating lease expense (Hytel PBX)

##### Minimum lease payments due

- within one year	35 424	212 545
- in second to fifth year inclusive	-	35 424
	<b>35 424</b>	<b>247 969</b>

The municipality entered into a contract with Hytel for the leasing of PBX System, where the municipality will pay monthly rentals of R17,712.10 including maintenance costs for a period of 36 months. Commitments regarding the contract are as follows.

#### Operating leases of land - as lessor (income)

##### Minimum lease payments due

- within one year	-	383 094
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Certain of the municipality's land is held to generate rental income. Rental of land is expected to generate rentals on an ongoing basis. The land is leased to farmers at a rate of R114/ hectare with an annual escalation of 5% of each agreement. Lease agreements are non-cancellable and have terms equal to 3 years. There are no contingent rents receivable.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 30. Contingencies

Tswaing Local Municipality / Jos Niemann

Municipality is defending a claim application brought by Jos Niemann against the municipality. The matter was defended, a plea filed and the matter is still pending and the estimated financial exposure is R287 555.

Tswaing Local Municipality / Civil Sphere Engineering (Pty) Ltd

Municipality is defending a claim for services rendered in respect of survey and design work pertaining to Agisanang road brought by Civil Sphere Engineering against the municipality. This matter was defended, plaintiff's attorneys withdrew. Since 02 August no legal action has been taken against the municipality and the estimated financial exposure is R567 608.

Complainant	2015	2014
HJ Breytenbach	-	1 500 000
Imatu (S Moeti)	-	250 000
T. Moopela	-	100 000
BJ Modisane	-	50 000
TMT (Pty) Ltd	-	61 877
Magedonia Trading	-	300 000
CIPC	-	180 000
Midshelf	800 000	250 000
SB Moeti	-	15 000
Pholoholo	600 000	150 000
Sedike	-	100 000
GJ Bronkhorst	-	250 000
Sello Maroga	-	250 000
PS Buys & Venter	-	118 000
AR Morris	400 000	-
T Ramphele	700 000	-
Jos Niemann	287 555	-
Civil Sphere Engineering	567 608	-
	<b>3 355 163</b>	<b>3 574 877</b>

### 31. Material losses

The municipality incurred losses in distribution of electricity amounting to R11 378 375 (2014: R7 461 019). The distribution losses incurred for the distribution of water could not be ascertained since there are no meters to measure such losses at the reservoirs.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 32. Related parties

#### Relationships

Accounting Officer	Mr M Morwe
Controlling municipality	Ngaka Modiri Molema District Municipality
Members of key management	Mr M Morwe (Acting Municipal Manager)
	Mrs MS Pelele (Acting CFO)
	Mr K Dikgwatlé (Technical Director)
	Mr S Mokgetho (Acting Community Service Director)
	Mrs O Manaheng (Acting Corporate Services Director)

Councillors, the Municipal Manager and section 57 personnel reporting to the Municipal Manager are considered related parties in light of their control over the municipality as councillors and their management position in terms of positions held in the municipality. No inter-party business transactions took place between the Tswaing Local Municipality and these persons and their close family members for the year under review. Details relating to their remuneration are disclosed in the notes above. Normal consumer services rendered to the public have also been rendered to the mentioned parties at approved tariffs that were advertised to the public.

#### Related party balances

##### Receivables - Owing by councillors

MM BOTSWE	2 999	21 797
MS LETLAKANE	29 672	23 425
A MOKOATSI	17 233	15 093
AT MOBOVU	23 108	20 815
TST TSHOLO	17 740	15 355
VTM MATHIBA	5 568	8 540
M VAN DER MERWE	-	4 374
KS MONNAPULE	37 471	35 299
KV MOHUBUKE	28 506	26 892
AM MOTJALE	6 693	9 068

#### Related party transactions

##### Ngaka Modiri Molema District Municipality

Donated Assets	-	2 309 463
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##### Remuneration of key employees

Municipality Manager	1 258 551	1 190 510
Chief Financial Officer	822 657	474 243
Community Services Director	612 766	319 745
Technical Services Director	615 568	267 680
Corporate Services Director	642 766	629 501

##### Remuneration of Mayoral Committee

Mr KC Mogatusi (Municipal Mayor)	677 826	676 474
Mr TS Heneck (Chief Whip)	514 198	507 664
Mrs MT Mokgethi (Speaker)	574 700	622 127
Mr AT Mabovu - Member (EXCO)	522 585	504 288
Mr AM Motjale - Member (EXCO)	580 526	471 604
Miss AM Mokwatsi - Member (EXCO)	542 823	537 568
Mrs C Visser - Member (EXCO)	300 474	300 500
Councillors	5 503 900	5 355 198

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 33. Prior period errors

Provisions: provision for landfill sites corrected to capture valuation as per to the landfill sites rehabilitation valuation report and defined benefit obligation was corrected to capture valuation as per the actuarials' valuation report.

Trade and other payables: Provision for bonus and leave were reclassified to provisions and there were prior year invoices not included as part of trade payables, and accounting for electricity purchases for small accounts.

Fines: adjusted to agree to the supporting documents

General expenses: correcting overstated general expenses by capturing unrecorded invoices for prior year.

Trade and other receivables: Reclassification of uncashed RD cheques to accounts payables and reclassification Eskom deposit.

Employee related costs: reclassification of an expense from employee costs

Property, plant and equipment was restated to capture the unbundling of assets performed and the related accumulated depreciation was accordingly restated.

Donations: Accounting for addition truck donated to the municipality.

Investments: fair value adjustment to investments.

Dividends: Accounting for dividends not accounted for in the prior period.

The correction of the errors results in adjustments as follows:

#### Statement of financial position

Property, plant and equipment	-	150 673 880
Payables from Exchange Transactions	-	1 705 254
Provisions	-	(63 673)
Provisions: Non Current portion	-	(1 836 408)
Investment property	-	(13 114 328)
Other receivables from exchange transactions	-	15 073
Trade receivables from exchange transactions	-	201 241
Other financial assets	-	(300 000)
Deposit: Eskom	-	300 000
Payables from exchange transactions	-	1 906 494
Accumulated surplus	-	60 224 738

#### Statement of Financial Performance

Depreciation expense	-	15 853 798
Personnel	-	(63 673)
General Expenses	-	(95 853)
Dividends received	-	15 073
Donations	-	812 324

### 34. Risk management

#### Financial risk management

##### 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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
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### 34. Risk management (continued)

#### Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The municipality's maximum exposure to credit risk is equal to the carrying amount of financial assets and liabilities at balance sheet date and is summarised as follows:

Financial instrument	2015	2014
Financial Assets - Receivables from exchange transactions	14 041 706	13 198 727
Financial Assets - Receivables from non-exchange transactions	421 110	435 097
Cash and cash equivalents	1 367 786	445 707
Financial liabilities - Payables from exchange transactions	(105 844 375)	(89 374 110)
Other financial assets - Investments	611 168	868 633
Financial liabilities - Consumer deposits	(1 219 743)	(1 165 985)

Financial assets by category	At amortised cost	At fair value	At cost	Total
Financial assets - Receivables from exchange transactions	11 230 639	-	-	11 230 639
Financial assets - Receivables from non-exchange transactions	421 110	-	-	421 110
	<b>11 651 749</b>	<b>-</b>	<b>-</b>	<b>11 651 749</b>

Financial liabilities by category	At amortised cost	At fair value	At cost	Total
Financial liabilities - consumer deposits	(1 219 743)	-	-	(1 219 743)
Unspent conditional grants & receipts	-	(2 621 801)	-	(2 621 801)
VAT payable	(10 374 771)	-	-	(10 374 771)
	<b>(11 594 514)</b>	<b>(2 621 801)</b>	<b>-</b>	<b>(14 216 315)</b>

#### 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.

### 35. 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.

### 36. Events after the reporting date

No events have occurred after 30 June 2015 which are material enough to warrant adjustment or disclosure within the annual financial statements.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2015

## Notes to the Annual Financial Statements

Figures in Rand	2015	2014
<b>37. Unauthorised expenditure</b>		
Opening balance	79 503 527	59 792 477
Additional expenditure	75 614 267	19 711 050
Condoned	(88 324 721)	-
	<b>66 793 073</b>	<b>79 503 527</b>
<b>38. Fruitless and wasteful expenditure</b>		
Opening balance	1 417 465	-
Additional expenditure	9 031 718	1 417 465
	<b>10 449 183</b>	<b>1 417 465</b>
<b>39. Irregular expenditure</b>		
Opening balance	12 085 714	-
Add: Irregular Expenditure - current year	6 693 623	12 085 714
	<b>18 779 337</b>	<b>12 085 714</b>

## Tswaing Local Municipality

### Appendix A

June 2015

#### Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014	Received during the period	Redeemed written off during the period	Balance at 30 June 2015	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		

There were no loans in the  
current financial year

## June 2015

[illegible]

## June 2015

Opening Balance Rand	Additions Completed Rand	Disposals Rand	Additions WIP Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Additions WIP Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
11 445 959	-	-	-	-	-	11 445 959	(5 357 247)	-	-	(2 289 192)	-	(7 646 439)	3 799 520
185 790	887 826	-	-	-	-	1 073 616	(67 917)	-	-	(37 158)	-	(105 075)	968 541
660 884	22 674	-	-	-	-	683 558	(366 070)	-	-	(220 273)	-	(586 343)	97 215
-	-	-	-	-	-	-	-	-	-	-	-	-	-
1 641 156	-	-	-	-	-	1 641 156	(894 385)	-	-	(234 451)	-	(1 128 836)	512 320
99 303	126 558	-	-	-	-	225 861	(63 964)	-	-	(33 098)	-	(97 062)	128 799
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
3 113 571	-	-	-	-	-	3 113 571	-	-	-	-	-	-	3 113 571
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
323 301	-	-	-	-	-	323 301	(215 831)	-	-	(107 470)	-	(323 301)	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
17 469 964	1 037 058	-	-	-	-	18 507 022	(6 965 414)	-	-	(2 921 642)	-	(9 887 056)	8 619 966

# Tswaing Local Municipality

## Appendix B

June 2015

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

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Completed Rand	Disposals Rand	Additions WIP Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Additions WIP Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	239 053 393	14 775 959	-	-	-	-	253 829 352	(139 278 404)	-	-	(41 114 110)	-	(180 392 514)	73 436 838
Infrastructure	664 833 337	(20 743 686)	-	40 728 260	-	-	684 817 911	(223 783 334)	-	-	(86 633 182)	-	(310 416 516)	374 401 395
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	17 469 964	1 037 058	-	-	-	-	18 507 022	(6 965 414)	-	-	(2 921 642)	-	(9 887 056)	8 619 966
	<b>921 356 694</b>	<b>(4 930 669)</b>	<b>-</b>	<b>40 728 260</b>	<b>-</b>	<b>-</b>	<b>957 154 285</b>	<b>(370 027 152)</b>	<b>-</b>	<b>-</b>	<b>(130 668 934)</b>	<b>-</b>	<b>(500 696 086)</b>	<b>456 458 199</b>
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>921 356 694</b>	<b>(4 930 669)</b>	<b>-</b>	<b>40 728 260</b>	<b>-</b>	<b>-</b>	<b>957 154 285</b>	<b>(370 027 152)</b>	<b>-</b>	<b>-</b>	<b>(130 668 934)</b>	<b>-</b>	<b>(500 696 086)</b>	<b>456 458 199</b>

## Appendix B

### Land and buildings

## Infrastructure

## Community Assets

# Tswaing Local Municipality

## Appendix B

June 2015

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

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Completed Rand	Disposals Rand	Additions WIP Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Additions WIP Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other assets</b>														
Biological Assets	2 470 358	-	-	-	-	-	2 470 358	-	-	-	-	-	-	2 470 358
Motor vehicles	7 777 571	3 668 388	-	-	-	-	11 445 959	(4 862 077)	-	-	(495 170)	-	(5 357 247)	6 088 712
Machinery and equipment	120 990	64 800	-	-	-	-	185 790	(49 171)	-	-	(18 747)	-	(67 918)	117 872
Computer equipment	642 540	-	-	-	-	-	642 540	(151 382)	-	-	(214 689)	-	(366 071)	276 469
Office equipment	99 303	-	-	-	-	-	99 303	(44 103)	-	-	(19 861)	-	(63 964)	35 339
Furniture and fittings	1 561 758	79 399	-	-	-	-	1 641 157	(670 331)	-	-	(224 055)	-	(894 386)	746 771
Other assets	310 303	8 477	-	-	-	-	318 780	(145 840)	-	-	(69 991)	-	(215 831)	102 949
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>12 982 823</b>	<b>3 821 064</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16 803 887</b>	<b>(5 922 904)</b>	<b>-</b>	<b>-</b>	<b>(1 042 513)</b>	<b>-</b>	<b>(6 965 417)</b>	<b>9 838 470</b>

# Tswaing Local Municipality

## Appendix B

June 2015

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

#### Cost/Revaluation

#### Accumulated depreciation

	Opening Balance Rand	Additions Completed Rand	Disposals Rand	Additions WIP Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Additions WIP Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	295 614 892	13 975 643	-	11 622 544	-	-	321 213 079	(125 027 441)	-	-	(14 250 963)	-	(139 278 404)	181 934 675
Infrastructure	514 757 894	-	-	40 624 466	-	-	555 382 360	(203 093 790)	-	-	(22 123 327)	-	(225 217 117)	330 165 243
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	12 982 823	3 821 064	-	-	-	-	16 803 887	(5 922 904)	-	-	(1 042 513)	-	(6 965 417)	9 838 470
	<b>823 355 609</b>	<b>17 796 707</b>	<b>-</b>	<b>52 247 010</b>	<b>-</b>	<b>-</b>	<b>893 399 326</b>	<b>(334 044 135)</b>	<b>-</b>	<b>-</b>	<b>(37 416 803)</b>	<b>-</b>	<b>(371 460 938)</b>	<b>521 938 388</b>
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>823 355 609</b>	<b>17 796 707</b>	<b>-</b>	<b>52 247 010</b>	<b>-</b>	<b>-</b>	<b>893 399 326</b>	<b>(334 044 135)</b>	<b>-</b>	<b>-</b>	<b>(37 416 803)</b>	<b>-</b>	<b>(371 460 938)</b>	<b>521 938 388</b>

## June 2015

Segmental analysis of property, plant and equipment as at 30 June 2015	
Cost/Revaluation	Accumulated Depreciation

	Opening Balance Rand	Additions  Rand	Disposals  Rand	Transfers  Rand	Revaluations  Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals  Rand	Transfers  Rand	Depreciation  Rand	Impairment deficit  Rand	Closing Balance Rand	Carrying value Rand
<b>Municipality</b>														
Executive & Council	140 226	-	-	-	-	-	140 226	(47 516)	-	-	(26 648)	-	(74 164)	66 062
Finance & Admin	815 514	10 124	-	-	-	-	825 638	(295 214)	-	-	(196 035)	-	(491 249)	334 389
Technical Services	4 388 012	1 749 679	-	-	-	-	6 137 691	(2 329 979)	-	-	(423 511)	-	(2 753 490)	3 384 201
Community & Social Services	32 139 664	11 181 416	-	-	-	11 771 410	55 092 490	(14 923 304)	-	-	(1 992 721)	-	(16 916 025)	38 176 465
Corporate Services	535 659	2 695	-	-	-	-	538 354	(260 688)	-	-	(84 503)	-	(345 191)	193 163
Sport & Recreation	16 106 951	-	-	-	-	-	16 106 951	(8 900 306)	-	-	(425 074)	-	(9 325 380)	6 781 571
Waste Management	1 745 805	-	-	-	-	-	1 745 805	(1 045 010)	-	-	(58 193)	-	(1 103 203)	642 602
Road Transport	319 943 851	-	-	-	-	14 923 014	334 866 865	(147 576 689)	-	-	(12 244 659)	-	(159 821 348)	175 045 517
Water	8 028 950	-	-	-	-	-	8 028 950	(3 372 159)	-	-	(802 895)	-	(4 175 054)	3 853 896
Electricity	75 473 784	-	-	-	-	49 986 619	125 460 403	(35 343 742)	-	-	(1 563 443)	-	(36 907 185)	88 553 218
Other	71 259 921	-	-	-	-	-	71 259 921	(16 586 053)	-	-	(1 981 883)	-	(18 567 936)	52 691 985
	<b>530 578 337</b>	<b>12 943 914</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76 681 043</b>	<b>620 203 294</b>	<b>(230 680 660)</b>	<b>-</b>	<b>-</b>	<b>(19 799 565)</b>	<b>-</b>	<b>(250 480 225)</b>	<b>369 723 069</b>
<b>Total</b>	<b>530 578 337</b>	<b>12 943 914</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>76 681 043</b>	<b>620 203 294</b>	<b>(230 680 660)</b>	<b>-</b>	<b>-</b>	<b>(19 799 565)</b>	<b>-</b>	<b>(250 480 225)</b>	<b>369 723 069</b>

# Tswaing Local Municipality

## Appendix D

June 2015

### Segmental Statement of Financial Performance for the year ended June 2014 June 2015

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
<b>Municipality</b>						
69 756 575	71 745 084	(1 988 509)	Executive & Council/Mayor and Council	76 713 642	34 860 999	41 852 643
16 318 154	18 336 756	(2 018 602)	Finance & Admin/Finance	18 120 929	128 407 132	(110 286 203)
56 744 265	55 853 837	890 428	Planning and Development/Economic Development/Plan	9 050 813	15 240 128	(6 189 315)
-	253 072	(253 072)	Health/Clinics	-	-	-
3 193 052	8 959 958	(5 766 906)	Comm. & Social/Libraries and archives	5 224 000	24 179 321	(18 955 321)
2 323 085	8 494 723	(6 171 638)	Public Safety/Police	1 472 839	9 474 457	(8 001 618)
-	2 461 236	(2 461 236)	Sport and Recreation	586	2 421 993	(2 421 407)
-	1 329 232	(1 329 232)	Environmental Protection/Pollution Control	-	-	-
13 056 438	12 082 819	973 619	Waste Water Management/Sewerage	7 191 442	4 101 108	3 090 334
-	3 966 561	(3 966 561)	Road Transport/Roads	44 591 291	44 794 685	(203 394)
5 220 546	6 371 232	(1 150 686)	Water/Water Distribution	4 972 309	10 322 265	(5 349 956)
29 527 440	30 725 440	(1 198 000)	Electricity /Electricity Distribution	33 191 728	35 719 414	(2 527 686)
-	972 848	(972 848)	Other/Air Transport	-	260 763	(972 849)
<b>196 139 555</b>	<b>221 552 798</b>	<b>(25 413 243)</b>		<b>200 529 579</b>	<b>309 782 265</b>	<b>(109 964 772)</b>
<b>Municipal Owned Entities</b>						
<b>Other charges</b>						