MAHIKENG

LOCAL MUNICIPALITY

Diversity. Culture . Heritage.

Mahikeng Local Municipality
Financial statements
for the year ended 30 June 2015
Auditor-General South Africa

General Information

Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and the Municipal System Act No. 32 of 2000
Mayoral committee	
Executive Mayor	Cllr Seatlholo GA
	Cllr Makolemako MC: MMC (Community Services)
	Cllr Tabane PM: MMC (Corporate Support Services)
	Cllr Mothupi HR : MMC (Finance)
	Cllr Mathakathaka KG: MMC (Infrastructure)
	Cllr Kgwadibane GA: MMC (Local Economic Development)
	Cllr Maloisane SSN: MMC (Planning and Development)
	Cllr Moeti ME: MMC (Public Safety)
	Cllr Leepile M: MMC (Tourism and Enterprise Development)
	Cllr Mafete ME: MMC (Traditional Affairs and Stakeholder Relations)
	Cllr Dintoe MM: MMC (Special Projects)
Councillors	Cllr Diakanyo KB (Speaker)
	Cllr Nebe T (Single Chief Whip)
	Cllr Jabanyane MD: Chairperson (MPAC)
	Cllr Mafabatho AP
	Cllr Mosenogi IS
	Cllr Dibe RMA
	Cllr Thomas G
	Cllr Babedi P
	Cllr Ntshabele T
	Cllr Mpengezi N
	Cllr Moamogwe N
	Cllr Seheri KC
	Cllr Motsamai IS
	Cllr Makolomakwa TB
	Cllr Poenyane KA
	Cllr Molale PP
	Cllr Nkoane GJ
	Cllr Moepi DP
	Cllr Ngobeni BS
	Cllr Johnson OJ
	Cllr Nkolisa BJ
	Cllr Novolo GS
	Cllr Lolwane AN
	Cllr Nkosi P
	Cllr Lomo FL
	Cllr Miga NM
	Cllr Mokgoetsi KKM
	Cllr Ngqobe NR
	Cllr Makolomakwa TJ
	Cllr Magogodi MP
	Cllr Legalatladi GU
	Cllr Matlhako SM
	Cllr Seepamore KL
	Cllr Bohmer WN

General Information

	Cllr Chanda MM Cllr Schikerling L Cllr Africa AJ Cllr Selepe TL Cllr Mtunzi DT Cllr Motshegoa T Cllr Mahura SM Cllr Mhatlhe KK Cllr Mmono CD Cllr Sephoti MW Cllr Lebelela TW Cllr Kgaje GK Cllr Ngqobe M Cllr Molete GM Cllr Lekhobe ME Cllr Matlholwa MR Cllr Dingile ME
Chief Finance Officer (CFO)	Mr. T Mathe (Acting)
Accounting Officer	Mokwena T (Acting)
Registered office	Cnr University Drive & Hector Peterson Road Mmabatho 2735
Business address	Cnr University Drive & Hector Peterson Road Mmabatho 2735
Postal address	Private Bag X63 Mmabatho 2735
Bankers	Standard Bank of South Africa Business Centre, Nelson Mandela Drive, Mahikeng, 2745
Auditors	Auditor-General South Africa

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

Abbreviations

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

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

The 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 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

The accounting officer certifies that the salaries, allowances and benefits of councillors as disclosed in Note 26 of these financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Renumeration of Public Office Bearers Act (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

Although the accounting officer is 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 financial statements. The financial statements have been examined by the municipality's external auditors.

The financial statements set out on pages 5 to 67, 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:

Mokwena T (Acting)
Accounting Officer

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014 Restated*
Assets			
Current Assets			
Inventories	8	83 791 715	156 847 449
Receivables from exchange transactions	9	64 759 924	8 578 840
Receivables from non-exchange transactions	10	58 600 404	84 561 183
Consumer Debtors	11	120 893 296	160 287 748
Shares & Unit Trusts		-	-
Money Market Investments	7	825 972	761 505
Cash and cash equivalents	12	7 486 896	31 355 872
		336 358 207	**442 392 597**
Non-Current Assets			
Investment property	4	167 342 145	167 342 145
Property, plant and equipment	5	1 146 677 589	1 164 662 092
Intangible assets	3	2 399 989	1 483 376
		1 316 419 723	**1 333 487 613**
Total Assets		**1 652 777 930**	**1 775 880 210**
Liabilities			
Current Liabilities			
Other financial liabilities	14	5 202 713	18 526 235
Trade and Other Payables	16	311 366 153	247 314 202
VAT Payable	17	28 528 712	37 567 379
Consumer deposits	18	6 972 548	5 998 669
Unspent conditional grants and receipts	13	15 404 972	3 714 269
Bank overdraft	12	4 007 613	1 274 159
		371 482 711	**314 394 913**
Non-Current Liabilities			
Other financial liabilities	14	20 765 539	21 896 157
Employee benefit obligation	6	22 003 000	20 044 000
Provisions	15	99 181 869	64 642 220
		141 950 408	**106 582 377**
Total Liabilities		**513 433 119**	**420 977 290**
Net Assets		**1 139 344 811**	**1 354 902 920**
Accumulated surplus		1 139 344 811	1 354 902 920

* See Note 39

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014 Restated*
Revenue			
Revenue from exchange transactions			
Service Charges	21	133 277 015	111 114 463
Rental of Facilities and Equipment	32	1 059 230	976 119
Interest Received - Trading		41 624 123	35 649 216
Licences and Permits		5 547 854	5 204 126
Fees Earned		2 533 291	2 155 646
Commissions Received		413 997	377 884
Recoveries		177 068	222 842
Other Income		197 340	847 007
Blocked Drains Charges		44 177	108 312
Fair Value Adjustment		-	7 469 752
Building Plans Fees		458 651	170 583
Interest Received - Investment	28	1 782 517	2 633 707
Total revenue from exchange transactions		**187 115 263**	**166 929 657**
Revenue from non-exchange transactions			
Taxation revenue			
Property Rates	20	142 189 789	127 465 554
Transfer revenue			
Government Grants & Subsidies	22	182 537 298	218 970 792
Fines, Penalties and Forfeits		9 543 087	14 286 566
Total revenue from non-exchange transactions		**334 270 174**	**360 722 912**
Total revenue	19	**521 385 437**	**527 652 569**
Expenditure			
Personnel Costs	25	(203 026 350)	(191 142 863)
Remuneration of Councillors	26	(21 302 348)	(19 249 186)
Depreciation and Amortisation	29	(89 043 425)	(57 278 892)
Impairment loss/ Reversal of impairments		(74 692 480)	(796 264)
Finance Costs	30	(6 584 335)	(9 816 547)
Lease rentals on operating lease		(1 197 117)	(2 056 705)
Debt Impairment	27	(166 382 712)	(139 375 927)
Collection Costs		(887 155)	(1 410 679)
Repairs and Maintenance		(26 374 789)	(23 136 356)
Bulk Purchases	34	(67 456 793)	(53 278 801)
Contracted Services	33	(13 196 797)	(17 253 838)
General Expenses	23	(72 390 420)	(98 889 577)
Total expenditure		**(742 534 721)**	**(613 685 635)**
Operating deficit	24	**(221 149 284)**	**(86 033 066)**
Loss on disposal of assets and liabilities		(592 550)	-
Deficit for the year		**(221 741 834)**	**(86 033 066)**

* See Note 39

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 084 857 393	1 084 857 393
Adjustments		
Correction of errors	282 908 282	282 908 282
Balance at 01 July 2013 as restated*	**1 367 765 675**	**1 367 765 675**
Changes in net assets		
Surplus for the year	(86 033 066)	(86 033 066)
Reserves Additions/ Expenses	25 850	25 850
Adjustments	73 144 461	73 144 461
Total changes	(12 862 755)	(12 862 755)
Restated* Balance at 01 July 2014	**1 354 902 918**	**1 354 902 918**
Changes in net assets		
Surplus for the year	(221 741 834)	(221 741 834)
Adjustments	6 183 727	6 183 727
Total changes	(215 558 107)	(215 558 107)
Balance at 30 June 2015	**1 139 344 811**	**1 139 344 811**

Note(s)

* See Note 39

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		341 795 914	209 364 827
Grants		194 228 001	180 681 825
Interest income		1 782 517	2 633 022
Other receipts		5 417 734	55 636 409
Other cash item		(166 382 712)	66 180 020
		376 841 454	514 496 103
Payments			
Employee costs		(222 369 698)	(207 978 049)
Suppliers		(86 606 895)	(227 026 556)
Finance costs		(6 584 335)	(9 816 547)
		(315 560 928)	(444 821 152)
Net cash flows from operating activities	35	**61 280 526**	**69 674 951**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(73 786 106)	(82 199 709)
Proceeds from sale of property, plant and equipment	5	2 558 360	-
Purchase of other intangible assets	3	(2 136 603)	-
Purchase of financial assets		-	11 884 977
Proceeds from sale of financial assets		-	(11 884 977)
Purchase of money market investments		(64 467)	-
Net cash flows from investing activities		**(73 428 816)**	**(82 199 709)**
Cash flows from financing activities			
Repayment of other financial liabilities		(14 454 140)	8 390 501
Finance lease payments		-	(953 031)
Net cash flows from financing activities		**(14 454 140)**	**7 437 470**
Net increase/(decrease) in cash and cash equivalents		**(26 602 430)**	**(5 087 288)**
Cash and cash equivalents at the beginning of the year		30 081 713	35 169 001
Cash and cash equivalents at the end of the year	12	**3 479 283**	**30 081 713**

* See Note 39

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	175 850 584	(52 891 051)	**122 959 533**	133 277 015	**10 317 482**	47.7
Rental of facilities and equipment	3 739 000	(2 225 528)	**1 513 472**	1 059 230	**(454 242)**	47.1
Interest earned - outstanding debtors	15 756 794	12 330 278	**28 087 072**	41 624 123	**13 537 051**	47.2
Licences and permits	3 336 536	(459 963)	**2 876 573**	5 547 854	**2 671 281**	47.1
Other revenue	3 092 896	(1 259 491)	**1 833 405**	3 824 524	**1 991 119**	47.1
Interest received - investment	2 000 000	-	**2 000 000**	1 782 517	**(217 483)**	47.3
Gains on disposal of assets	550 000	-	**550 000**	-	**(550 000)**	47.4
Total revenue from exchange transactions	**204 325 810**	**(44 505 755)**	**159 820 055**	**187 115 263**	**27 295 208**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	162 956 168	(22 200 508)	**140 755 660**	142 189 789	**1 434 129**	47.7
Transfer revenue						
Government grants & subsidies	207 089 000	-	**207 089 000**	182 537 298	**(24 551 702)**	47.5
Fines, Penalties and Forfeits	3 421 000	(2 821 814)	**599 186**	9 543 087	**8 943 901**	47.6
Total revenue from non-exchange transactions	**373 466 168**	**(25 022 322)**	**348 443 846**	**334 270 174**	**(14 173 672)**	
Total revenue	**577 791 978**	**(69 528 077)**	**508 263 901**	**521 385 437**	**13 121 536**	
Expenditure						
Personnel	(200 656 762)	10 290 694	**(190 366 068)**	(203 026 350)	**(12 660 282)**	47.7
Remuneration of councillors	(21 018 000)	-	**(21 018 000)**	(21 302 348)	**(284 348)**	47.7
Depreciation and amortisation	(29 657 407)	-	**(29 657 407)**	(89 043 425)	**(59 386 018)**	47.8
Impairment loss/ Reversal of impairments	-	-	**-**	(74 692 480)	**(74 692 480)**	47.9
Finance costs	(3 745 000)	-	**(3 745 000)**	(6 584 335)	**(2 839 335)**	47.10
Lease rentals on operating lease	-	-	**-**	(1 197 117)	**(1 197 117)**	47.11
Debt impairment	(50 932 000)	-	**(50 932 000)**	(166 382 712)	**(115 450 712)**	47.2
Collection costs	-	-	**-**	(887 155)	**(887 155)**	47.11
Repairs and maintenance	-	-	**-**	(26 374 789)	**(26 374 789)**	47.11
Bulk purchases	(78 000 000)	-	**(78 000 000)**	(67 456 793)	**10 543 207**	47.12
Contracted Services	(16 019 566)	(7 527 120)	**(23 546 686)**	(13 196 797)	**10 349 889**	47.11
General Expenses	(115 601 446)	(11 891 294)	**(127 492 740)**	(72 390 420)	**55 102 320**	47.11
Total expenditure	**(515 630 181)**	**(9 127 720)**	**(524 757 901)**	**(742 534 721)**	**(217 776 820)**	
Operating deficit	**62 161 797**	**(78 655 797)**	**(16 494 000)**	**(221 149 284)**	**(204 655 284)**	
Loss on disposal of assets and liabilities	-	-	**-**	(592 550)	**(592 550)**	47.13
Deficit for the year	**62 161 797**	**(78 655 797)**	**(16 494 000)**	**(221 741 834)**	**(205 247 834)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**62 161 797**	**(78 655 797)**	**(16 494 000)**	**(221 741 834)**	**(205 247 834)**	

Accounting Policies

1. Presentation of Financial Statements

The 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 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.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2 First-time adoption of Standards of GRAP.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Impairment testing

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

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

Provisions

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

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

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

Allowance for doubtful debts

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

1.4 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.

Investment property is held at fair value.

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

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

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

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

Fair value

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

The fair value of investment property reflects market conditions at the reporting date whilst provisional amounts reflect the amounts determined using a reasonable basis such as the valuation roll.

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

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

The fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Accounting Policies

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.

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.

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 or at fair value where assets have been acquired by grant or donation.

Where items of Property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

Subsequent expenditure relating to Property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery capabilities of the assets are enhanced in excess of the originally assessed standard of performance. If the expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The municipality maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residua values are determined other than for motor vehicles.

The gain or loss arising from the disposal or retirement of an item of Property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the Statement of Financial Performance

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

Assets held under finance leases are depreciated over their useful lives on the same basis as owned assets or, where appropriate, the terms of the relevant lease, and the depreciation are recognised in the Statement of Financial Performance.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use.

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

Item	**Average useful life**
Buildings	5 - 100
Furniture and fixtures	7
Office equipment	7
IT equipment	5
Emergency equipment	5-15
Infrastructure	
• Roads and Stormwater	5 - 100
• Electricity	45

Accounting Policies

1.5 Property, plant and equipment (continued)

Community	
• Facilities	5 - 100
• Recreational facilities	15 - 100
Other property, plant and equipment	
• Motor vehicles	7
• Landfill sites	20 - 100

Impairment of property,plant and equipment

Property,plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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.

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

1.7 Intangible assets (continued)

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

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

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

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

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

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

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

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

Item	Useful life
Licenses	Indefinite
Computer software, other	Indefinite

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.8 Financial instruments

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

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

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

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

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

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

1.8 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

Classification

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

Class	Category
Receivables from Exchange Transactions	Financial asset measured at cost
Receivables from Non-Exchange transactions	Financial asset measured at cost
Consumer Debtors	Financial asset measured at cost
Money Market Investments	Financial asset measured at fair value
Cash and Cash Equivalents	Financial asset measured at fair value

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

Class	Category
Other Financial Liabilities	Financial liability measured at amortised cost
Trade and Other Payables	Financial liability measured at cost
VAT Payable	Financial liability measured at cost
Consumer deposits	Financial liability measured at cost
Retirement Benefit Obligation	Financial liability measured at fair value

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

Accounting Policies

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

Reclassification

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at cost:

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

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

Financial liabilities

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

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

Presentation

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

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

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

1.9 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.

Finance leases - lessee

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

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

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

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

Accounting Policies

1.9 Leases (continued)

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

Inventories consist of raw materials, work in progress, consumables, finished goods and unsold properties.

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at date of acquisition. Cost is generally using the first-in-first-out principle except where stated otherwise.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the valuation roll values as at the date of initial recognition or total cost of servicing the land. Net realisable values are based on the latest valuation roll values less estimated cost to sell.

1.11 Impairment of cash-generating assets

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

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

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

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

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

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

1.11 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

Redesignation

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

1.12 Employee benefits

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

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

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

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

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

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

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

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

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

Accounting Policies

1.12 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

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

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

The amount recognised as a defined benefit liability is the net total of the following amounts:

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

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

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

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

1.12 Employee benefits (continued)

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

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.13 Provisions and contingencies

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

1.13 Provisions and contingencies (continued)

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.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

Site Restoration, Onerous contracts, Reimbursements, Restructuring, Long Service Award

Site Restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of landfill sites is recognised when the land is contaminated. The related expense is capitalised against the cost of the landfill sites.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the municipality from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

Reimbursements

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 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.

Restructuring

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced as publicly.

Long Service Award

In terms of the Collective Bargaining Agreement, employees who achieve a certain predetermined milestone of service within the municipality are entitled to leave days or cash equivalent. A provision is made at the end of each balance sheet date based on the estimated number of employees who are likely to achieve the milestones in the future .The provision is discounted using a reasonable discounting rate.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Service Charges

Service charges relating to distribution of water are based on consumption. Meters are read on a regular basis consumption is recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the type of property not taking into consideration the number of refuse containers.

Service charges from sewerage and sanitation services are based on the type of service not taking into consideration the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

Rental income from operating leases is recognised on a straight line basis over the lease term.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Housing rental and installments

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a 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.

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, a 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.

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

Recognition

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

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

1.16 Revenue from non-exchange transactions (continued)

Measurement

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

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

Transfers

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

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

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

Fines

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

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

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

Gifts and donations, including goods in-kind

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

1.17 Investment income and expenses

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

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets through profit or loss and impairment losses recognised on financial assets.

Borrowing costs are recognised in surplus or deficit using the effective interest method.

1.18 Borrowing costs

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

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

1.19 Comparative figures

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

1.19 Comparative figures (continued)

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed in the notes to the financial statements.

1.20 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.

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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.

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. 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.

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.

1.22 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.

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.

1.22 Irregular expenditure (continued)

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.

1.23 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.24 Net reserves

Net reserves are a residual interest in the assets of an municipality after deducting all of its liabilities from the total municipal assets.

1.25 Tax

Value Added Tax (VAT)

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

The annual financial statements have been prepared on the assumption that the municipality will continue to operate on a going concern basis for at least the next twelve months.

1.26 Budget information

The municipality is 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 the municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

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

The 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.

1.26 Budget information (continued)

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

Comparative information is not required.

1.27 Related parties

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

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

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

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

1.28 Events after reporting date

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

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

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

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

1.29 Consumer Deposits

Consumer deposits are charged when new water and/or electricity accounts are opened except for owner occupied proportions. The amounts vary per type of consumer and are approved by Council as part of the tariff structure.

1.30 Capital Commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

Figures in Rand	2015	2014

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

There are no standards and interpretations that are effective for the current financial year and that are relevant to the municipality and its operations:

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2016	The adoption of this amendment has not had a material impact on the results of the municipality but has resulted in more disclosure than would have previously been provided in the financial statements

2.3 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	Unknown

3. Intangible assets

	2015			2014		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	3 625 329	(1 225 340)	2 399 989	2 284 989	(801 613)	1 483 376

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Impairment loss	Total
Computer software, other	1 483 376	2 136 603	(423 727)	(796 263)	2 399 989

Reconciliation of intangible assets - 2014

	Opening balance	Impairment loss	Total
Computer software, other	2 284 989	(801 613)	1 483 376

Notes to the Financial Statements

Figures in Rand	2015	2014

4. Investment property

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	167 342 145	-	167 342 145	167 342 145	-	167 342 145

Reconciliation of investment property - 2015

	Opening balance	**Total**
Investment property	167 342 145	167 342 145

Reconciliation of investment property - 2014

	Opening balance	**Fair value adjustments**	**Total**
Investment property	159 872 393	7 469 752	167 342 145

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.

Valuations are performed as at statement of financial position date by professional valuers who hold recognised and relevant. These valuations form the basis of the carrying amounts in the financial statements. Investment property that is being redeveloped for continuing use as investment property for which the market has become less active continues to be measured at fair value.

5. 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	29 709 523	-	29 709 523	29 709 523	-	29 709 523
Buildings	127 187 521	(78 069 482)	49 118 039	127 187 521	(70 701 729)	56 485 792
Plant and machinery	59 332	-	59 332	-	-	-
Furniture and fixtures	8 372 385	(6 194 128)	2 178 257	8 327 866	(5 054 610)	3 273 256
Motor vehicles	30 431 383	(16 280 177)	14 151 206	39 928 097	(19 191 696)	20 736 401
Office equipment	546 854	(371 780)	175 074	440 380	(284 996)	155 384
IT equipment	2 908 806	(1 978 922)	929 884	2 358 815	(1 528 961)	829 854
Bridges	5 144 810	(2 255 285)	2 889 525	5 144 810	(2 160 820)	2 983 990
Community Buildings	93 127 227	(59 672 221)	33 455 006	93 127 227	(52 642 883)	40 484 344
Other Assets	668 471	(610 193)	58 278	799 757	(649 139)	150 618
Roads, Storm Drains & Pavements	1 479 707 377	(643 410 926)	836 296 451	1 457 985 676	(580 253 498)	877 732 178
Capital Spares	2 809 006	(1 242 205)	1 566 801	2 809 006	(1 179 783)	1 629 223
Capital work in progress	69 676 093	-	69 676 093	68 315 539	-	68 315 539
Emergency Equipment	1 719 656	(1 321 324)	398 332	1 725 732	(1 024 398)	701 334
High Mast Lights	103 100 717	(34 023 026)	69 077 691	82 103 326	(32 034 360)	50 068 966
Recreational Facilities	21 612 122	(12 281 683)	9 330 439	21 612 122	(11 283 871)	10 328 251
Landfill Site	30 773 702	(3 166 044)	27 607 658	1 831 645	(754 206)	1 077 439
Total	**2 007 554 985**	**(860 877 396)**	**1 146 677 589**	**1 943 407 042**	**(778 744 950)**	**1 164 662 092**

Notes to the Financial Statements

Figures in Rand

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	29 709 523	-	-	-	-	29 709 523
Buildings	56 485 792	-	-	-	(7 367 753)	49 118 039
Plant and machinery	-	59 332	-	-	-	59 332
Furniture and fixtures	3 273 256	47 553	-	-	(1 142 552)	2 178 257
Motor vehicles	20 736 401	-	(3 132 039)	-	(3 453 156)	14 151 206
Office equipment	155 384	106 474	-	-	(86 784)	175 074
IT equipment	829 854	549 991	-	-	(449 961)	929 884
Bridges	2 983 990	-	-	-	(94 465)	2 889 525
Community Buildings	40 484 344	-	-	-	(7 029 338)	33 455 006
Roads, Storm Drains & Pavements	877 732 178	-	-	21 721 701	(63 157 428)	836 296 451
Capital Spares	1 629 223	-	-	-	(62 422)	1 566 801
Emergency equipment	701 334	1 053	(3 441)	-	(300 614)	398 332
High Mast and Street Lights	50 068 966	-	-	20 997 391	(1 988 666)	69 077 691
Recreational Facilities	10 328 251	-	-	-	(997 812)	9 330 439
Landfill Site	1 077 439	28 942 057	-	-	(2 411 838)	27 607 658
Capital work in progress	68 315 539	44 079 646	-	(42 719 092)	-	69 676 093
Other Assets	150 618	-	(15 430)	-	(76 910)	58 278
	1 164 662 092	**73 786 106**	**(3 150 910)**	**-**	**(88 619 699)**	**1 146 677 589**

5. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Transfers	Depreciation	Total
Land	29 709 523	-	-	-	29 709 523
Buildings	63 853 544	-	-	(7 367 752)	56 485 792
Furniture and fixtures	4 376 182	82 337	-	(1 185 263)	3 273 256
Motor vehicles	23 002 302	1 409 514	-	(3 675 415)	20 736 401
Office equipment	235 192	5 708	-	(85 516)	155 384
IT equipment	1 212 020	67 269	-	(449 435)	829 854
Bridges	3 078 455	-	-	(94 465)	2 983 990
Community Buildings	47 513 682	-	-	(7 029 338)	40 484 344
Roads, Storm Drains & Pavements	923 318 816	15 834 922	-	(61 421 560)	877 732 178
Capital Spares	1 691 646	-	-	(62 423)	1 629 223
Emergency equipment	1 034 932	-	-	(333 598)	701 334
High Mast and Street Lights	43 153 017	8 620 610	-	(1 704 661)	50 068 966
Recreational Facilities	11 326 062	-	-	(997 811)	10 328 251
Landfill Site	2 208 748	-	-	(1 131 309)	1 077 439
Capital work in progress	36 594 948	56 176 123	(24 455 532)	-	68 315 539
Other Assets	307 058	3 226	-	(159 666)	150 618
	1 192 616 127	**82 199 709**	**(24 455 532)**	**(85 698 212)**	**1 164 662 092**

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

6. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality operates a funded post-employment health care defined benefit plans for qualifying employees.
Employees of the municipality are members of Bonitas, Keyhealth, Samwumed, Discovery and Hosmed medical schemes.

Figures in Rand	2015	2014

6. Employee benefit obligations (continued)

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

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(22 003 000)	(20 044 000)

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of IAS19. As such no value has been ascribed to the fair value of plan assets and no other disclosure has been done relating to plan assets.

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	20 044 000	17 630 000
Benefits paid	(58 000)	(72 000)
Net expense recognised in the statement of financial performance	2 017 000	2 486 000
	22 003 000	**20 044 000**

Net expense recognised in the statement of financial performance

Current service cost	1 097 000	963 000
Interest cost	1 851 000	1 540 000
Actuarial (gains) losses	(931 000)	(17 000)
	2 017 000	**2 486 000**

Key Financial Assumptions

The principal assumptions used for the purposes of the actuarial valuation on 30 June 2015:

Assumptions used at the reporting date:

Discount rates used	9,46 %	9,25 %
Health care cost inflation	8,89 %	8,25 %
Net discount rate	0,99 %	0,92 %
Salary inflation	8,39 %	7,75 %
Consumer price inflation	7,39 %	6,75 %

The assumptions used in the prior year valuation have been changed for the current year valuation. This is to comply with the ASB GRAP 25 accounting standard which requires the valuation discount rate to be set with reference to high quality corporate bond yields where a deep market is available. Should a deep market not be available, the equivalent government long bond yields at the Valuation Date may be used.

The nect contribution rate increase is assumed to occur at 1 January 2016

Figures in Rand	2015	2014

6. Employee benefit obligations (continued)

Other assumptions

The following are the key demographic assumptions used:

Age difference for all medical aid members	Husbands 4 years older than wives
Pre-retirement mortality for all medical aid members	PA(90) - 2 Ultimate
Valuation interest rate	Withdrawal/ Ill-health retirement
Proportion of active medical aid members who remain married at retirement	90%
Proportion of members who continue on medical aid once they retire	40%

Allowance has been made for withdrawal and ill-health pre-retirement decrements in the valuation, whereas in the prior year, these decrements were applied only in the valuation of the long service awards.

Effect on interest and service cost	**One percentage point decrease**	**One percentage point increase**
Valuation interest rate	2 387 00	1 206 000
Medical inflation rate	2 534 000	4 070 000

7. Money Market Investments

ABSA Collateral security)	147 309	141 103
Nedbank (Collateral security)	678 662	622 583
	825 971	**763 686**

Collateral deposits for staff housing loan

Included in the deposits above are fixed deposits with carrying value of R 0,826 million (2014: R 0,763 million) which were pledged as security deposits for securing staff home loans with financial institutions.

These pledges are repaid as soon as the employees's outstanding home loan balance is below 80% of the approved loan amount. The municipality's exposure to risk is minimised by assurance policy taken out by the employees and ceded to the municipality to cover the guaranteed deposit.

8. Inventories

Land	80 026 583	153 922 799
Consumable stores	2 550 012	2 610 326
Other	133 144	-
Fuel (Diesel, Petrol)	1 081 976	314 324
	83 791 715	**156 847 449**

Inventories recognised as an expense during the year - fuel	1 527 003	5 662
Inventories recognised as an expense during the year - consumable stores	11 389 206	112 379

In the prior year and current year no inventories were written down to net realisable value.

Inventory pledged as security

There were no security pledges made against inventory during the current and prior financial period.

Notes to the Financial Statements

Figures in Rand	2015	2014

9. Receivables from exchange transactions

Expenditure credits	30 646 626	-
Salary error suspense	20 336 922	-
Other debtors	7 882 173	6 977 634
Staff Contra	3 432 245	762 808
Sundry debtors	29 639 472	20 174 905
Provision for bad debts	(5 274 449)	(5 704 096)
Provision for bad debts - Fines	(21 903 065)	(13 632 411)
	64 759 924	**8 578 840**

10. Other Receivables from non-exchange transactions

Property rates	244 236 161	218 736 069
Provision for bad debts	(185 635 757)	(134 174 886)
	58 600 404	**84 561 183**

Other Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2015, and 30 June 2014 there were no amounts impaired in respect of debts less than 3 months overdue.

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

1 month past due	8 986 392	8 384 677
2 months past due	7 034 910	6 457 917
3 months past due	6 113 748	5 729 351

Other Receivables from non-exchange transactions impaired

As of 30 June 2015, other receivables from non-exchange transactions of R 9 779 362 (2014: R 166 342 557) were impaired and provided for.

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

Opening balance	(134 174 886)	(118 756 978)
Provision for impairment	(51 460 871)	(15 417 908)
	(185 635 757)	**(134 174 886)**

Notes to the Financial Statements

Figures in Rand	2015	2014

11. Consumer debtors

Gross balances		
Water	164 674 574	139 612 070
Sewerage	64 231 914	57 835 923
Refuse	65 041 651	56 540 570
Interest Levied (on Consumer Debtors)	203 555 598	175 841 153
	497 503 737	**429 829 716**
Less: Allowance for impairment		
Water	(120 564 666)	(87 273 138)
Sewerage	(46 934 596)	(33 864 220)
Refuse	(47 234 545)	(35 441 362)
Interest Levied (on Consumer Debtors)	(161 876 634)	(112 963 248)
	(376 610 441)	**(269 541 968)**
Net balance		
Water	44 109 908	52 338 932
Sewerage	17 297 318	23 971 703
Refuse	17 807 106	21 099 208
Interest Levied (on Consumer Debtors)	41 678 964	62 877 905
	120 893 296	**160 287 748**
Water		
Current (0 -30 days)	12 966 833	8 605 192
31 - 60 days	6 434 896	4 635 635
61 - 90 days	5 831 059	3 693 616
> 90 days	139 441 786	122 677 627
Allowance for impairment	(120 564 666)	(87 273 138)
	44 109 908	**52 338 932**
Sewerage		
Current (0 -30 days)	2 131 988	2 141 982
31 - 60 days	1 651 893	1 725 507
61 - 90 days	1 451 496	1 457 586
> 90 days	58 996 538	52 510 848
Allowance for impairment	(46 934 597)	(33 864 220)
	17 297 318	**23 971 703**
Refuse		
Current (0 -30 days)	2 577 849	2 702 674
31 - 60 days	2 165 998	2 260 588
61 - 90 days	1 976 936	2 008 355
> 90 days	58 320 868	49 568 953
Allowance for impairment	(47 234 545)	(35 441 362)
	17 807 106	**21 099 208**
Interest Levied (on Consumer debtors)		
Current (0 -30 days)	3 905 816	3 317 146
31 - 60 days	3 776 019	3 261 488
61 - 90 days	3 837 144	3 190 458
> 90 days	192 036 619	166 072 060
Allowance for impairment	(161 876 634)	(112 963 247)
	41 678 964	**62 877 905**

Notes to the Financial Statements

Figures in Rand	2015	2014

11. Consumer debtors (continued)

Summary of debtors by customer classification

Residential		
Current (0 -30 days)	10 800 320	9 515 230
31 - 60 days	8 627 024	8 598 174
61 - 90 days	6 536 739	8 107 814
> 90 days	325 011 885	311 686 556
	350 975 968	**337 907 774**
Farms		
Current (0 -30 days)	142 357	235 411
31 - 60 days	138 279	147 879
61 - 90 days	211 505	130 142
> 90 days	3 575 919	3 355 556
	4 068 060	**3 868 988**
Commercial		
Current (0 -30 days)	10 821 078	5 462 641
31 - 60 days	4 313 534	2 519 440
61 - 90 days	2 938 265	2 623 471
> 90 days	77 507 124	42 595 987
	95 580 001	**53 201 539**
Creche		
Current (0 -30 days)	23 977	95 648
31 - 60 days	23 950	94 871
61 - 90 days	23 093	94 541
> 90 days	732 188	14 171 095
	803 208	**14 456 155**
School		
Current (0 -30 days)	101 294	96 678
31 - 60 days	5 935	19 277
61 - 90 days	10 550	2 149
> 90 days	52 689	25 803
	170 468	**143 907**
Municipal		
Current (0 -30 days)	51 050	26 784
31 - 60 days	65 112	26 733
61 - 90 days	69 851	26 557
> 90 days	781 332	628 918
	967 345	**708 992**
Government/State - Residential		
Current (0 -30 days)	3 371 397	2 851 691
31 - 60 days	2 959 692	2 287 958
61 - 90 days	3 653 086	1 828 227
> 90 days	158 843 734	71 396 064
	168 827 909	**78 363 940**

Notes to the Financial Statements

Figures in Rand	2015	2014

11. Consumer debtors (continued)

Government/State - Business

Current (0 -30 days)	8 426	2 762 730
31 - 60 days	7 834	2 387 832
61 - 90 days	5 854	2 143 478
> 90 days	420 713	141 308 760
	442 827	**148 602 800**

Government/State - School

Current (0 -30 days)	686 592	1 178 476
31 - 60 days	361 782	806 686
61 - 90 days	249 929	598 755
> 90 days	6 058 170	2 086 476
	7 356 473	**4 670 393**

Government/State - Health

Current (0 -30 days)	579 658	243 956
31 - 60 days	113 875	195 796
61 - 90 days	103 995	139 995
> 90 days	677 063	4 923 032
	1 474 591	**5 502 779**

Government/State - Public Works

Current (0 -30 days)	2 353 349	445 102
31 - 60 days	(2 490 482)	974 529
61 - 90 days	2 603 248	34 801
> 90 days	82 678 242	175 598
	85 144 357	**1 630 030**

Total debtor past due but not impaired

Current (0 -30 days)	16 907	17 138
31 - 60 days	146 414	18 076
61 - 90 days	16 729	37 489
> 90 days	5 033 487	4 753 275
	5 213 537	**4 825 978**

Reconciliation of allowance for impairment

Balance at beginning of the year	(269 541 968)	(244 884 432)
Contributions to allowance	(107 068 473)	(24 657 536)
	(376 610 441)	**(269 541 968)**

Consumer debtors pledged as security

There were no pledges made against consumer debtors.

Consumer debtors past due but not impaired

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

1 month past due	15 756 481	13 536 430
2 months past due	8 984 193	10 824 481
3 months past due	8 107 476	9 471 024

Notes to the Financial Statements

Figures in Rand	2015	2014

12. Cash and cash equivalents

Cash and cash equivalents consist of:

	2015	2014
Cash on hand	15 196	7 794
Short-term deposits	7 471 700	31 348 078
Bank overdraft	(4 007 613)	(1 274 159)
	3 479 283	**30 081 713**
Current assets	7 486 896	31 355 872
Current liabilities	(4 007 613)	(1 274 159)
	3 479 283	**30 081 713**

Cash and cash equivalents pledged as collateral

	2015	2014
Total financial assets pledged as collateral for employee housing loans	825 971	763 686

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2015	**30 June 2014**	**30 June 2013**	**30 June 2015**	**30 June 2014**	**30 June 2013**
Standard Bank - Current Account - Account number 30852595	5 483 316	1 315 335	2 274 122	(4 007 613)	(1 274 159)	(11 586 341)
Petty Cash	-	-	-	15 196	7 794	5 062
Nedbank - Call Account - 03/7881034459/0000020	1 121 850	2 041 850	3 900 000	1 121 850	2 041 850	3 900 000
Standard Bank - Call Account - 238650863/014	995 392	20 760 471	29 888 010	995 392	20 760 471	29 888 010
Standard Bank - Call Account - 238650863/025	253 284	240 626	229 920	253 284	240 626	229 920
Standard Bank - Call Account - 238650863/030	5 006 005	4 957 189	11 377 302	5 006 005	4 957 189	11 377 302
Standard Bank - Call Account - 238650863/032	-	3 347 942	-	-	3 347 942	-
Standard Bank - Call Account - 238650863/033	95 170	-	-	95 170	-	-
Total	**12 955 017**	**32 663 413**	**47 669 354**	**3 479 284**	**30 081 713**	**33 813 953**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2015	2014
Municipal Infrastructure Grant (MIG)	(1)	(1)
Finance Management Grant (FMG)	-	-
Municipal System Improvement Grant (MSIG)	-	-
Library Grant	-	-
Expended Public Works Grant (EPWP)	-	-
National Lottery Grant	251 509	251 509
Electricity Demand Management	132 305	41 602
Satelite: Fire Ottoshoop	3 421 159	3 421 159
Premier Project Road Rehabilitation	11 600 000	-
	15 404 972	**3 714 269**

Figures in Rand	2015	2014

13. Unspent conditional grants and receipts (continued)

Movement during the year

Balance at the beginning of the year	3 714 269	42 003 921
Additions during the year	66 896 000	198 055 000
Income recognition during the year	(55 205 297)	(236 344 652)
	15 404 972	**3 714 269**

See note 22 for reconciliation of grants from National/Provincial Government.

14. Other financial liabilities

At amortised cost		
National Treasury	-	12 093 000
No interest loan		
DBSA Loans	11 564 792	13 845 980
The loans carry interest rates varying between 5% and 15% per annum and are repayable over period ranging between 10-20 years. As at 30 June 2015 an amount of R795 278,47 was in arrears. These loans were used to fund the municipality's infrastructure assets. The loans are secured over the rental income from one of the municipality's investment property.		
INCA Loans	14 403 460	14 483 412
The loans carry interest rates varying between 5% and 15% per annum and are repayable over periods ranging between 10-20 years. As at 30 June 2015, an amount of R 1 302 184,28 was in arrears. These loans were used to fund the municipality's infrastructure assets. The loans are secured by the municipality's income from assessment rates.		
	25 968 252	**40 422 392**

Total other financial liabilities	**25 968 252**	**40 422 392**

Non-current liabilities		
At amortised cost	20 765 539	21 896 157
Current liabilities		
At amortised cost	5 202 713	18 526 235

15. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in estimate	Total
Environmental rehabilitation - Landfil Site	51 854 063	-	4 152 921	-	28 942 057	84 949 041
Training Fund Reserve	604 010	16 671	-	-	-	620 681
Long Service Award	12 184 147	3 010 000	-	(1 582 000)	-	13 612 147
	64 642 220	**3 026 671**	**4 152 921**	**(1 582 000)**	**28 942 057**	**99 181 869**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation-Landfill Site	48 918 928	2 935 135	51 854 063
Training Fund Reserve	-	604 010	604 010
Long Service Award	11 871 761	312 386	12 184 147
	60 790 689	**3 851 531**	**64 642 220**

Environmental rehabilitation - Landfill Site

This provision was raised in order to determine the closure and rehabilitation costs for the waste disposal site in accordance with the Minimum Requirements (Second Edition, 1998) from the Department of Water Affairs and Forestry (DWAF)

The following assumptions were made to provide an estimation of the rehabilitation site:

- The remaining site life as at 30 June 2015 is 12 years.
- An escalation rate of 6%
- A discount rate of 6%

15. Provisions (continued)

Long Service Awards

The municipal employees, excluding those with fixed term contract, who have been with the employer for a certain period of time are entitled to additional leave days (in accordance with normal leave) as recognition for service at the same employer. The additional leave (long service awards) is paid out when the employee has reached the required continued period of service.

The number of leave days payable for each milestone (number of years served) are detailed in the table below:

Service Milestone	2015	2014
10 years	10	10
15 years	20	20
20 years	30	30
25 years	30	30
30 years	30	30
35 years	30	30
40 years	30	30
45 years	30	30

The following key assumptions were used in the valuation.

Discount rate (%)	9,46	9
Award inflation(%)	7,39	7

16. Trade and Other Payables

	2015	2014
Trade payables	227 217 587	173 351 405
Accrued leave pay	15 781 637	15 725 218
Debtors with credit balances	28 593 456	17 873 859
Expenditure Credits	-	1 561 829
Salary error suspense	-	4 229 902
Thirteenth Cheque Accrual	5 541 944	4 738 061
Unallocated deposits	4 796 501	5 621 589
Sundry creditors	29 435 028	24 212 339
	311 366 153	**247 314 202**

17. VAT payable

	2015	2014
Balance due	28 528 712	37 567 379

VAT 201 is submitted on a monthly on a cash basis

18. Consumer deposits

	2015	2014
Other deposits	4 984 212	4 431 534
Water	1 988 336	1 567 135
	6 972 548	**5 998 669**

Other deposits include bulding deposits and rental of facilities.

Notes to the Financial Statements

Figures in Rand	2015	2014

19. Revenue

Service charges	133 277 015	111 114 463
Rental of facilities and equipment	1 059 230	976 119
Interest received (trading)	41 624 123	35 649 216
Licences and permits	5 547 854	5 204 126
Fees earned	2 533 291	2 155 646
Commissions received	413 997	377 884
Recoveries	177 068	222 842
Other income	197 340	847 007
Blocked drains charges	44 177	108 312
Fair value adjustment	-	7 469 752
Building plan fees	458 651	170 583
Interest received - investment	1 782 517	2 633 707
Property rates	142 189 789	127 465 554
Government grants & subsidies	182 537 298	218 970 792
Fines, Penalties and Forfeits	9 543 087	14 286 566
	521 385 437	**527 652 569**

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

Service charges	133 277 015	111 114 463
Rental of facilities and equipment	1 059 230	976 119
Interest received (trading)	41 624 123	35 649 216
Licences and permits	5 547 854	5 204 126
Fees earned	2 533 291	2 155 646
Commissions received	413 997	377 884
Recoveries	177 068	222 842
Other income	197 340	847 007
Blocked drains charges	44 177	108 312
Fair value adjustment	-	7 469 752
Building plans fees	458 651	170 583
Interest received - investment	1 782 517	2 633 707
	187 115 263	**166 929 657**

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

Taxation revenue		
Property rates	142 189 789	127 465 554
Transfer revenue		
Government grants & subsidies	182 537 298	218 970 792
Fines, Penalties and Forfeits	9 543 087	14 286 566
	334 270 174	**360 722 912**

Notes to the Financial Statements

Figures in Rand	2015	2014

20. Property rates

Rates received

General Assessment Rates	188 176 785	165 497 354
Less: Income forgone	(45 986 996)	(38 031 800)
	142 189 789	**127 465 554**

The following general rates have been approved by Council:

Differentiated rate were applied as follows.Impermissable rate for residential was first R40 000 for all residential properties

	Description	Rate	Discount %	Rebate
(1)	Residential	0,006413		R15 000
(2)	RDP	0,006413	100%	R15 000
(3)	Pensioners	0,006413	80%	R15 000
(4)	Agricultural Residential	0,001604	-	-
(5)	Farms	0,001604	-	-
(6)	Government (Parks)	0,046000	100%	-
(7)	Church	0,022956	100%	-
(8)	Business	0,022956	-	-
(9)	Creche	0,022956	-	-
(10)	Industrial	0,022956	40%	-
(11)	Guesthouse 1	0,022956	40%	-
(12)	Guesthouse 2	0,022956	25%	-
(13)	Guesthouse 3	0,022956	-	-
(14)	Municipal	0,046000	100%	-.

Valuations

Residential	4 702 449 589	4 064 325 505
Commercial	2 073 848 900	2 075 555 850
State	1 409 274 485	1 616 552 041
Municipal	1 032 229 116	713 154 117
Small holdings and farms	670 253 745	1 077 192 945
Creche	11 651 756	8 020 000
Guest Houses	92 222 500	90 742 500
Other	101 065 800	79 841 800
	10 092 995 891	**9 725 384 758**

Valuations on land and buildings are performed every four years. The last general valuation came into effect on 1 July 2011. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 0.105 cents per Rand (2014: 0,0105 cents per Rand) is applied to property valuations to determine assessment rates. Discounts of 85% (Residential), 60% (Business/Commercial), 60% (Industrial) and 60% (Agricultural) [2014: 85% (Residential), 60% (Business/Commercial), 60% (Industrial) and 60% (Agricultural)]. Qualifying pensioners were granted a further 80-85% rebate (2013: 80-85%) are granted to residential and state property owners. For residential properties, the R40 000 is non-rateable (rebate). Thus, the discount for such properties is calculated after deducting the rebate.

Rates are levied on an monthly basis. Interest is levied on rates not paid by the due date using the effective interest rate method (current prime rate plus 1%).

Notes to the Financial Statements

Figures in Rand	2015	2014

21. Service charges

Sale of water	80 028 973	62 763 816
Sewerage and sanitation charges	24 011 922	23 381 573
Refuse removal	29 236 120	24 969 074
	133 277 015	**111 114 463**

22. Government grants and subsidies

Operating grants		
Equitable share	127 332 000	131 186 000
Expended Public Works Grant (EPWP)	2 291 000	3 720 000
Library Grant	670 000	670 000
Municipal System Improvement Grant (MSIG)	934 000	1 179 732
Finance Management Grant (FMG)	1 600 000	1 568 506
Premier Project Cleaning Subsidy	-	10 000 000
National Lottery Grant	-	-
	132 827 000	148 324 238
Capital grants		
Municipal Infrastructure Grant (MIG)	46 801 000	62 653 175
Firestation Grant	-	34 981
Electricity Demand Management	2 909 298	7 958 398
	49 710 298	70 646 554
	182 537 298	**218 970 792**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members and for the running of the municipality's operations.

All registered indigent consumers receive a subsidy of 6 kilolitres of water per month which is funded from the grant.

An amount of R17 461 000 was withheld in th current financial year.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	(1)	30 162 175
Current-year receipts	56 801 000	50 039 000
Amount withheld	(10 000 000)	(17 093 000)
Conditions met - transferred to revenue	(46 801 000)	(63 108 176)
	(1)	**(1)**

The grant was used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property,plant and equipment whilst the unspent portion of the grant is included in current liabilities (see note 13)

Figures in Rand	2015	2014

22. Government grants and subsidies (continued)

Expanded Public Works Program (EPWP)

Current-year receipts	2 291 000	3 720 000
Conditions met - transferred to revenue	(2 291 000)	(3 720 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

The grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines: road maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sewer reticulation,sanitation, pipelines (excluding bulk infrastructure); other economic and social infrastructure; tourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; health service programmes; and community safety programmes.

Premier Project Cleaning Subsidy

Current-year receipts	-	10 000 000
Conditions met - transferred to revenue	-	(10 000 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

This grant is a subsidy for cleaning of the Mahikeng area by Premier's office and part of the Premier Project.

Library grant

Current-year receipts	670 000	670 000
Conditions met - transferred to revenue	(670 000)	(670 000)
	-	-

Conditions still to be met - remain liabilities (see note 13).

The grant is used to transform urban and rural community library infrastructure, facilities and services(primarily targeting previously disadvantaged communities).

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	18 506
Current-year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	(1 600 000)	(1 568 506)
	-	-

The grant is mainly used for promoting and supporting reforms in financial management by building capacity in the municipality to implement the Municipal Finance Management Act and progressive financial reporting..

Conditions still to be met - remain liabilities (see note 13).

Figures in Rand	2015	2014

22. Government grants and subsidies (continued)

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	-	289 732
Current-year receipts	934 000	890 000
Conditions met - transferred to revenue	(934 000)	(1 179 732)
	-	**-**

The grant is meant to assist the municipality in the improvement of system related transactions.

Conditions still to be met - remain liabilities (see note 13).

National Lottery Grant

Balance unspent at beginning of year	251 509	251 509

This grant is mainly used in assisting the municipality in delivering sports development projects.

Conditions still to be met - remain liabilities (see note 13).

Electricity Demand Management Grant

Balance unspent at beginning of year	41 602	-
Current-year receipts	3 000 000	8 000 000
Conditions met - transferred to revenue	(2 909 297)	(7 958 398)
	132 305	**41 602**

This fund has been granted by the Department of Energy to the municipality to be used in electricity efficiency usage program.

Conditions still to be met - remain liabilities (see note 13).

Firestation Grant

Balance unspent at beginning of year	3 421 159	3 281 999
Conditions met - transferred to revenue	-	(34 980)
Other	-	174 140
	3 421 159	**3 421 159**

Conditions still to be met - remain liabilities (see note 13).

This is mainly used to provide satelite fire station at Ottoshoop.

Premier Project Road Rehabilitation

Current-year receipts	11 600 000	-

Conditions still to be met - remain liabilities (see note 13).

The grant is a susbidy for implementation of the specific projects identified by the Premier for road rehabilitation.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 37203 of 2013 as amended), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

Notes to the Financial Statements

Figures in Rand	2015	2014

23. General expenses

Advertising	1 143 744	1 250 279
Auditors remuneration	3 721 715	2 819 950
Bank charges	334 194	783 491
Cleaning	851 600	453 749
Consulting and professional fees	5 062 431	3 455 548
Donations	55 811	26 316
Entertainment	876 210	1 790 023
Insurance	656 162	410 786
System improvement	634 919	679 984
Magazines, books and periodicals	47 146	18 470
Medical expenses	36 882	85 058
Disposal site expenditure	2 016 392	2 237 737
Laboratory related costs	20 317	39 075
Fuel and oil	2 275 818	3 103 746
Postage and courier	175 208	462 623
Printing and stationery	2 138 726	2 421 156
Provisions	56 419	450 700
Protective clothing	1 004 925	545 633
Project maintenance costs	2 505 805	2 725 226
Royalties and license fees	358 594	1 042 884
Security (Guarding of municipal property)	4 047 817	5 136 427
Library grant	884 900	755 629
Staff welfare	51 864	138 738
Subscriptions and membership fees	3 202 407	4 508 350
Telephone and fax	1 317 903	2 198 551
Training	524 113	738 440
Travel - local	1 777 893	2 485 718
Finance Management Grant	1 600 000	1 598 723
Valuation roll	1 171 271	2 170 022
Disaster management	207 336	1 263 101
Electricity Efficiency Demand Management	2 552 016	6 981 050
Extended public works programme	14 543 647	11 330 792
Licence vehicles	253 666	464 755
Premier: Mahikeng Road Rehabilitation	-	15 491 366
Electricity & Water	2 628 259	3 052 499
Ward committee expenses	2 043 314	4 083 208
Chemicals	556 294	783 177
Meter reading	315 178	466 008
Free Basic Water & Electricity	4 152 054	4 824 332
Other expenses	6 183 617	5 185 198
Materials	403 853	431 059
	72 390 420	**98 889 577**

24. Operating deficit

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

Operating lease charges		
Lease rentals on operating lease - Other		
• Contractual amounts	1 197 117	2 056 705

Loss on sale of property, plant and equipment	(592 550)	-
Impairment on intangible assets	796 264	796 264
Amortisation on intangible assets	423 727	-
Depreciation on property, plant and equipment	88 619 698	57 278 892
Employee costs	224 328 698	210 392 049

Notes to the Financial Statements

Figures in Rand	2015	2014

25. Personnel Costs

Basic	150 274 026	140 232 438
Bonus	7 742 327	6 212 584
Medical aid - company contributions	7 084 483	6 800 929
UIF	637 209	653 647
Leave pay provision charge	4 135 991	-
Post retirement benefit - Actuarial loss/(gain)	198 000	(119 497)
Post retirement benefit - Interest	2 905 000	2 516 860
Post retirement benefit - Current service cost	1 924 000	1 816 310
Overtime payments	6 239 096	6 739 482
Allowances locomotion	5 475 107	6 138 622
Housing benefits and allowances	929 505	5 013 325
Pension funds	15 481 606	15 138 163
	203 026 350	**191 142 863**

Remuneration of Municipal Manager

Annual Remuneration	822 801	829 179
Car Allowance	274 271	271 081
Other	-	307 104
	1 097 072	**1 407 364**

Remuneration of Chief Financial Officer

Annual Remuneration	658 704	663 810
Car Allowance	219 568	217 015
Other	15 072	289 684
	893 344	**1 170 509**

Remuneration of Corporate Service Director

Annual Remuneration	603 933	246 246
Car Allowance	219 568	82 083
Other	15 072	83 808
	838 573	**412 137**

Remuneration of Planning and Development Service Director

Annual Remuneration	353 022	505 742
Car Allowance	110 089	168 581
Other	304 477	177 208
	767 588	**851 531**

Remuneration of Infrastructure Service Director

Annual Remuneration	593 098	597 695
Car Allowance	197 699	195 401
Other	195 838	214 848
	986 635	**1 007 944**

Remuneration of Community Services Director

Annual Remuneration	368 730	196 799

Notes to the Financial Statements

Figures in Rand	2015	2014

25. Personnel Costs (continued)

Car Allowance	105 997	-
Other	359 143	16 736
	833 870	**213 535**

Remuneration of Public Safety Director

Annual Remuneration	353 022	649 598
Car Allowance	110 089	202 818
Other	349 988	80 361
	813 099	**932 777**

26. Remuneration of councillors

Executive Mayor	808 989	747 229
Mayoral Committee Members	4 692 483	3 148 045
Speaker	637 448	586 512
Councillors	14 644 683	14 217 580
Chief Whip	518 745	549 820
	21 302 348	**19 249 186**

In-kind benefits

The Executive Mayor, Speaker,Chief Whip of Council and Mayoral Committee Members are full-time and are provided office space at the cost of the council. In addition, they are paid travelling allowances for trips outside Mahikeng. The Executive Mayor, Speaker, Chief Whip and Single Whip of Council are also provided with secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor's driver also acts as bodyguard.

27. Debt impairment

Contributions to debt impairment provision	158 099 697	54 147 850
Bad debts written off	8 283 015	85 228 077
	166 382 712	**139 375 927**

Debtors written off during the year amounted to R 8 283 015 (2014: R 85 228 077)

28. Interest received - investment

Interest revenue		
Interest earned (bank and investment accounts)	1 782 517	2 633 707

29. Depreciation and amortisation

Property, plant and equipment	88 619 698	57 278 892
Intangible assets	423 727	-
	89 043 425	**57 278 892**

30. Finance costs

Fair value adjustments on payables	4 152 921	2 935 136
Interest paid	2 431 414	6 881 411
	6 584 335	**9 816 547**

Notes to the Financial Statements

Figures in Rand	2015	2014

31. Auditors' remuneration

Auditors' Fees	3 721 715	2 819 950

32. Rental of facilities and equipment

Premises		
Hall	682 961	514 355
Offices	196 877	268 031
Sports grounds	2 632	-
Other	176 760	193 733
	1 059 230	**976 119**

33. Contracted services

Other Contractors	13 196 797	17 253 838

34. Bulk purchases

Water	67 456 793	53 278 801

35. Cash generated from operations

Deficit	(221 741 834)	(86 033 066)
Adjustments for:		
Depreciation and amortisation	89 043 425	57 278 892
Loss on sale of assets and liabilities	592 550	-
Impairment deficit	74 692 480	796 264
Debt impairment	166 382 712	139 375 927
Movements in retirement benefit assets and liabilities	1 959 000	2 414 000
Movements in provisions	34 539 649	3 851 531
Adjustments to accumulated surplus	6 183 725	67 138 399
Fair value adjustment	-	(7 469 752)
Changes in working capital:		
Inventories	(840 482)	(33 486)
Receivables from exchange transactions	(56 181 084)	(6 735 114)
Consumer debtors	(126 988 260)	(159 363 958)
Other receivables from non-exchange transactions	25 960 779	(9 925 315)
Trade and Other Payables	64 051 951	107 221 111
VAT	(9 038 667)	(1 248 986)
Unspent conditional grants and receipts	11 690 703	(38 289 652)
Consumer deposits	973 879	698 156
	61 280 526	**69 674 951**

36. Commitments

Capital Commitments

Already contracted for but not provided for		
• Property, plant and equipment	82 730 520	43 371 462
Total capital commitments		
Already contracted for but not provided for	82 730 520	43 371 462

This committed expenditure relates to property and will be financed by externally generated funds being the Municipal Infrastructure Grant and the Electricity Demand Management Grant as per DORA allocations

Notes to the Financial Statements

Figures in Rand	2015	2014

37. Contingencies

Service provider cases	8 146 141	2 672 399
Labour related cases	-	3 204 981
Department of Human Settlements unspent tranche payments	7 263 734	7 263 734
Property loss/ damage cases	3 550 796	5 529 175
Malicious proceedings	100 000	100 000
	19 060 671	**18 770 289**

Service provider cases

These are civil claims against Council for professional services rendered relating to construction of roads; uncompleted work and possible breach of contract by several service providers.

Labour related cases

This relates to an arbitration matter over unfair dismissal of employees.

Wage curve agreement

As a result of the uncertainties arising from the dispute declared by the unions and the pending litigation regarding the wage curve agreement. The municipality may have an additional payable for employees wages, depending on the outcome of the pending litigation. It is practicable to reliably estimate the amount of this payable prior to the outcome of the pending litigation.

Botshelo water debt

Relates to disputes over invoices submitted for readings, tariffs and VAT payable to Botshelo water.

Property loss/ damage cases

This is a civil litigation matter wherein community members claim that the Municipality was negligent in preventing fire to damage their property.

Malicious proceedings

This is a civil claim against the Municipality and three of its employees for an unlawful arrest and detention of a community member..

Department of Human Settlements unspent tranche payments

The dispute to the value of R7 263 734 arose from Human Settlement tranche payment.

Figures in Rand	2015	2014

38. Related parties

Relationships

Paulus Moola (Spouse of Mapoweng Eva Margaret Magdalen Moola)	North West on Sunday (Pty) Ltd
Mmadibetso Juliah Msimanga (Spouse of Johnson Ntelesi Msimanga)	Nokuka Building Construction
Nokuthula Phamodi (Spouse of Obakeng Leery Phamodi)	Mintirho Consulting Services (Pty) Ltd
Eppel Grant Anthony (Partner of Mampho Julia Moseki)	Beez Neez Trading 5 CC
Mogokonyane Kagisho Archibald (Partner of Motshidisi Susan Mokalane)	Bebeto Office Supplies and Enterprise
Mthini Charity Lerato (Partner of Gaaisite Unity Legalatladi)	Legwana Construction and Enteprise
Sechoaro Letlhogonolo Angrinethn (Partner of Pelita Lindiwe Koboti)	Sechoaro Supply and Delivery cc
Tlhabanelo Naumi Gabaiphine (Partner of Charity Lerato Mthini)	Bosa Catering and Projects
Motsamai Ontiretse Shedrack (Partner of Thabo Jona Radebe)	Retlhometse Trading and Projects
Phamodi Nokuthula (Partner of Obakeng Leery Phamodi)	Mintirho Consulting Services (Pty) Ltd

The municipality has various processes in place to identify and note any related party transactions with regards to this matter. These range from disclosure by bidders on the bid documents (MB4) to maintenance of a conflict of interest register. For councillors, this is kept in the Office of the Speaker whilst for the other senior managers it is kept by the Corporate Services Directorate.

Related party transactions

	2015	2014
Service paid to related parties		
North West on Sunday (Pty) Ltd	29 300	67 200
Nokuka Building Construction	1 945 478	1 007 333
Mintirho Consulting Services (Pty) Ltd	-	9 800
Bebeto Office Supplies and Enterprise	144 000	23 000
Legwana Construction and Enterprise	-	29 800
Sechoaro Supply and Delivery cc	69 460	16 268
Bosa Catering and Projects	-	15 500
Retlhometse Trading and Projects	388 900	26 320
Rebuduletse (Pty) Ltd	-	3 500
Total Client Services (Pty) Ltd	1 306 194	114 905
Beez Neez Trading 5 CC	73 167	64 824
Compensation to accounting officer and other key management		
Short-term employee benefits	6 230 181	4 588 433

Key management information

Class	Description	Number
Executive Mayor	Cllr Seatlholo GA	
MMC Community Services	Cllr Makolemako MC	
MMC Corporate Support Services	Cllr Tabane PM	
MMC Finance	Cllr Mothupi	
MMC Infrastructure	Cllr Mathakathaka	
MMC Local Econimic Development	Cllr Kgwadibane	
MMC Planning and Development	Cllr Maloisane	
MMC Public Safety	Cllr Moeti ME	
MMC Tourism and Enterprise Development	Cllr Leepile M	
MMC Traditional Affairs and Stakeholder Relations	Cllr Mafete ME	
MMC Special Projects	Cllr Dintoe MM	
Municipal Manager	Advocate C Moller	
Chief Finance Officer (CFO)	Mrs. F Khoza	

Figures in Rand	2015	2014

39. Prior period errors

Shares & Unit Trusts

Shares and Unit Trusts (Old Mutual and Investec) were incorrectly recognised as those belonging to the municipality when in fact they were those of employees. As a result, the Shares and Unit Trust were overstated by R 12 430 569 and the Fair Value Adjustments overstated by an amount of R 541 635. This error was corrected retrospectively.

Other financial liabilities

In the prior year, the following errors occurred resulting in the Other Financial Liabilities Balance being understated by an amount of R983 655:

- a loan to the National Treasury due to the unspent balance of conditional grants from the prior years payable through the reduction of Equitable Share was understated by an amount of R455 000, thus resulting in an overstatement of the Equitable Share;
- the balance of the loans from DBSA and INCA were understated by the arrear balance amounting to R528 655, this amount was incorrectly recognised as trade and other payables.

Trade and Other Payables

In the prior year, the following errors occurred resulting in the Trade and other Payables balance being understated by an mount of R 43 994 397:

- Bulk purchases amounting toR 43 748 568 not accrued for in the 2013 financial period, thus resulting in the understatement of the trade and other payables balance;
- Arrears balance for DBSA and INCA loans amounting to R 528 655 were incorrectly recognised as trade and other payables, thus resulting in an overstatement of the trade and other payables balance.
- Retention money for accruals was not recognised in the prior year thus resulting in an understatement of trade and other payables amounting to R 394 482
- Audit fees payable at the end of the prior year were not accrued amounting to an understatement of trade and other payables amounting to R 380 000.

Money Market Investments

In the prior year, the investment register was understated due to unrecorded transactions per investment statements, thus resulting in the following:

- Overstatement of the Money Market Investment balance amounting to R2 181
- Understatement of Intereste Recevied - Investments amounting to R685

Receivables from exchange transactions

In the prior year, an incorrect vote was used in processing the movements in the traffic fines balance, thus resulting in the following:

- Overstatement of the Sundry Debtors - Fines amounting to R 1 617 646,79
- Understatement of the Sundry Debtors balance amounting to R 1 617 646,79

Property, Plant and Equipment

39. Prior period errors (continued)

In the prior year the retention on the capital projects was not accrued for various invoices thus resulting in an understatement of property, plant and equipment.

The municipality received a disclaimer opinion in the prior year on Property Plant and Equipment due to valuation unit rates used on assets recognised prior to 2009-07-01, which do not have actual cost supporting documents. The municipality participated in the Provincial Treasury Support Program were assets was valued by Asset management experts being specialist engineers and chartered accountants. The financial statements were retrospectively restated to provide the correct effect of the change in values of initial recognition.

Auditors renumeration

Payments for invoices relating to the prior year audit fees were incorrectly recognised as current year expenditure as opposed to the reduction of the trade and other payables thus resulting in an understatement of the auditors renumeration and overstatement of trade and other payables amounting to R380 000. This error was corrected retrospectively.

Intangible assets

In the prior year the intangible assets were overstated by R5 349,03 due to a licence that was incorrectly capitalised instead of being recognised as an expense. This error was corrected retrospectively.

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

	2015 R	2014 R
Statement of financial position		
Shares and Unit Trusts	-	(12 430 569)
Shares and Unit Trusts - opening balance	(12 430 569)	-
Money Market Investments	-	(2 181)
Money Market Investments - opening balance	(2 181)	-
Property, plant and equipment	-	338 153 320
Property, plant and equipment - opening balance	338 153 319	-
Other financial liabilities	-	(983 655)
Other financial liabilities - opening balance	(983 655)	-
Trade and Other Payables	-	(43 994 397)
Trade and Other Payables - opening balance	(43 994 397)	-
Intangible assets	-	(5 349)
Intangible assets - opening balance	(5 349)	-
Opening Accumulated Surplus or Deficit	(280 737 169)	(282 908 282)
Statement of Financial Performance		
Fair Value Adjustment	-	541 635
Interest Received - Investment	-	(685)
Government Grants & Subsidies	-	455 000
Depreciation and Amortisation	-	789 815
General Expenses	-	385 349

40. Comparative figures

The following comparative figures have been reclassified:

Receivables from exchange transactions

In the prior year trade and other payables with debit balances amounting to R6 302 511 were incorrectly classified as trade and other payables thus resulting in an understatement of receivables from exchange transactions

Cash and cash equivalents

Figures in Rand	2015	2014

40. Comparative figures (continued)

In the prior year the bank overdraft was netted off against other cash and cash equivalents, in the current year, the overdraft amounting to R1 274 160 has been disclosed separately on the face of the financial statements in order to fairly present the cash and cash equivalents balance.

Trade and other payables

In the prior year, the following were incorrectly classified:
- the thirteenth cheque accrual was incorrectly classified as provisions instead of trade and other payables, thus resulting in an understatement of trade and other payables amounting to R4 738 061
- total receivables from exchange transactions with credit balances were incorrectly classified thus resulting in an understatement of the trade and other payables amounting to R 6 302 511

Provisions

In the prior year, the following were incorrectly classified:
- the thirteenth cheque accrual was incorrectly classified as provisions instead of trade and other payables, thus resulting in an overstatement of provisions amounting to R4 738 061

Bank overdraft

In the prior year the bank overdraft was netted off against other cash and cash equivalents, in the current year, the overdraft amounting to R1 274 160 has been disclosed separately on the face of the financial statements in order to fairly present the cash and cash equivalents balance.

Lease rentals on operating lease

In the prior year the lease rentals on operating lease amounting to R2 056 705 were disclosed on the notes to the annual financial statements under general expenses. In order to fairly state the expenditure in compliance with GRAP standards, this expenditure has been disclosed on the face of the financial statements.

General Expenses

In the prior year the lease rentals on operating lease amounting to R2 056 705 were disclosed on the notes to the annual financial statements under general expenses. In order to fairly state the expenditure in compliance with GRAP standards, this expenditure has been disclosed on the face of the financial statements.

The effects of the reclassification are as follows:

	R	R
Statement of financial position		
Receivables from exchange transactions	6 302 511	6 302 511
Cash and cash equivalents	1 274 160	1 274 160
Trade and Other Payables	(11 040 572)	(11 040 573)
Provisions	4 738 061	4 738 061
Bank overdraft	(1 274 159)	(1 274 159)
Statement of Financial Performance		
Lease rentals on operating lease	-	2 056 705
General Expenses	-	(2 056 705)

41. Risk management

Financial risk management

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

The municipality’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality’s financial performance.Risk management is carried out by the municipality under policies approved by the accounting officer.

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.

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.

Trade receivables comprise a widespread customer base. The municipality cannot, however, limit the rate at which it can offer services to its stakeholders as it has a constitutional mandate to offer these services. Credit control measures are therefore implemented within the approved municipal policies and relevant acts governing municipal operations.

Cash and cash equivalents

The municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act,94 of 1990 operating in South Africa

Investments

It is the municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990.Given the high credit ratings of these financial institutions the municipality does not expect any counterparty to fail to met its obligation.

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

Financial instrument	**2015**	**2014**
Receivables from exchange transactions	65 831 200	2 276 329
Consumer debtors	212 593 207	160 287 748
Money Market Investments	825 972	761 505
Cash and Cash Equivalents	30 593 896	31 355 872

Market risk

Interest rate risk

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

The municipality’s interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain borrowings in fixed and variablerate instruments all denominated in the Rand.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Figures in Rand	2015	2014

42. Events after the reporting date

There were no events after reporting date identified in the current financial period.

43. Unauthorised expenditure

Unauthorised expenditure	217 384 305	111 809 414
Current year	226 384 737	105 574 891
	443 769 042	**217 384 305**

44. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	6 186 710	5 367 324
Interest - ESKOM	52 544	346 011
Interest - TELKOM	5 074	6 815
Interest - SARS	665 220	438 924
Other	251 887	27 636
	7 161 435	**6 186 710**

45. Irregular expenditure

Opening balance	145 507 910	99 280 401
Add: Irregular Expenditure - current year	34 968 887	46 227 509
	180 476 797	**145 507 910**

46. Additional disclosure in terms of Municipal Finance Management Act

Water Losses

Kl Bought	11 039 036	10 117 052
Kl Sold	(7 512 467)	(7 302 812)
Units lost in distribution revenue	**3 526 569**	**2 814 240**
Units lost in distribution	3 526 569	2 814 240
Average cost per Kl sold	6	5
Monetary Loss in distribution	**21 549 983**	**14 071 200**
Percentage loss	32	28

The municipality purchases water from local water service authority and sells to its residents. During the current year the municipality bought 11 039 036 kilolitres (2014: 10 117 052), sold 7 512 467 kilolitres (2014: 7 302 812) and this resulted in water losses of 3 526 569 kilolitres. The losses are attributable to unmetered consumptions especially in low cost housing development, illegal connections and burst pipes not timeously attended to.

Audit fees

Opening balance	2 285 807	514 427
Current year subscription / fee	3 721 715	2 847 173
Amount paid - current year	(2 389 322)	(1 075 793)
	3 618 200	**2 285 807**

Figures in Rand	2015	2014

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

PAYE and UIF

Opening balance	1 886 887	2 073 021
Current year subscription / fee	28 371 161	26 065 987
Amount paid - current year	(27 890 970)	(26 252 121)
	2 367 078	**1 886 887**

Pension and Medical Aid Deductions

Current year subscription / fee	36 700 632	34 980 527
Amount paid - current year	(34 506 475)	(34 980 527)
	2 194 157	**-**

VAT

VAT payable	28 528 712	37 567 379

The municipality is registered for VAT on a cash basis. As such VAT claimed or paid on receipt of payment or settlement of the transaction,respectively.

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

Figures in Rand	2015	2014

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

Councillors' arrear consumer accounts

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

30 June 2015	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Mmono C D	480	-	480
Councillor Mtunzi D	823	657	1 480
Councillor Ngqobe M	4 077	70 941	75 018
	5 380	**71 598**	**76 978**

30 June 2014	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Africa A J	245	-	245
Councillor Kekana E M	389	-	389
Councillor Tabane P M	1 113	2 198	3 311
Councillor Sephoti M W	1 912	13 105	15 017
Councillor Matlholwa M R	1 634	-	1 634
Councillor Lesejane M D	287	983	1 270
Councillor Mahura S M	573	-	573
Councillor Mmono C D	1 509	-	1 509
Councillor Molete G M	453	-	453
Councillor Mtunzi D T	1 090	536	1 626
Councillor Ngqobe M	5 550	77 833	83 383
	14 755	**94 655**	**109 410**

During the year the following Councillors’ had arrear accounts outstanding for more than 90 days.

30 June 2015	Highest outstanding amount	Aging (in days)
Councillor Mtunzi D	657	90
Councillor Ngqobe M	70 941	90
	71 598	

30 June 2014	Highest outstanding amount	Aging (in days)
Councillor Ngqobe M	77 833	90
Councillor Sephoti M W	13 105	90
Councillor Tabane P M	2 198	90
Councillor Lesejane M D	983	90
Councillor Mtunzi D T	536	794
	94 655	**1 154**

47. Going concern

We draw attention to the fact that at 30 June 2015, the municipality reported a deficit of R 221 741 834 (2014: R 86 033 066), the municipality had an accumulated surplus of R 1 139 344 811 (2014: 1 354 902 920). However the current liabilities exceed th current assets by R 35 124 505

47. Going concern (continued)

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

The ability of the municipality to continue as a going concern is dependent on the improvement of collections and management of costs. As a result of the above financial indicators, some uncertainty exists regarding the municipality to continue as a going concern.

48. Budget Variance Explanations

The following list relates to reasons for significant fluctuations in the difference between Current Year Actuals and Budgeted Amounts and acts as reference to the Statement of Comparison of Budget and Actual Amounts

The following are the explanations for the material variances in the Statement of Comparison of Budget and Actual Amounts:

47.1. Variance is due to an understatement is due to an error in the budget that was detected subsequent to the final budget approved by council.

47.2. Variance due to low pay rate from consumers

47.3. Variance is due to less was invested in the current year as compared to what was anticipated.

47.4. Variance is as a result of a loss that was incurred on disposal of assets.

47.5. Variance is due to Equitable Share which was withheld in the current year and Premier Project Cleaning Subsidy that was not received in the current year.

47.6. Variance is due to the budget being based on actual receipts on fines net off discounts offered to the public as compared to the IGRAP 1 accrual for the fines.

47.7. Variance not considered to be significant as it is below 10%.

47.8. Variance is due to the correction of error on the unit rates balances in the Fixed Asset Register of the prior year

47.9. Variance due to impairment of land inventory that was not budgeted for.

47.10. Variance is due to interest on arrear balances that was recognised in the current year.

47.11. Variance is due to expenditure that was incorrectly recorded in suspense vote - "Expenditure Credits as per note 9 of the financial statements"

47.12. Variance as a result of budget that included the VAT on the expenditure

47.13. Variance is due to a gain that was budgeted for the disposal of assets, no loss was budgeted for.

Schedule of external loans as at 30 June 2015

	Loan Number	Redeemable	Balance at 30 June 2014 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2015 Rand
Development Bank of South Africa						
DBSA	61000717 Loan (102846/3)	31/03/2019	12 128 723	-	1 998 251	10 130 472
DBSA	61000715 Loan (102846/1)	31/03/2019	1 717 254	-	282 934	1 434 320
			13 845 977	**-**	**2 281 185**	**11 564 792**
Infrastructure Finance Corporation Limited						
INCA	MFI-00-0001/Deal No. 6765 reference no. 9560	30/06/2015	1 000 000	-	744 823	255 177
INCA	MFI-00-0002/Deal No. 11811	30/05/2028	13 483 412	664 870	-	14 148 282
			14 483 412	**664 870**	**744 823**	**14 403 459**
National Treasury						
National Treasury		30/06/2015	12 093 000	-	12 093 000	-
			12 093 000	**-**	**12 093 000**	**-**
Total external loans						
Development Bank of South Africa			13 845 977	-	2 281 185	11 564 792
Infrastructure Finance Corporation Limited			14 483 412	664 870	744 823	14 403 459
National Treasury			12 093 000	-	12 093 000	-

Schedule of external loans as at 30 June 2015

Loan Number	Redeemable	Balance at 30 June 2014 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2015 Rand
		40 422 389	**664 870**	**15 119 008**	**25 968 251**

Appendix B
June 2015

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 loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Community facilities	90 823 851	-	-	-	-	**-**	**90 823 851**	(51 683 790)	-	-	(6 890 958)	-	**(58 574 748)**	32 249 103
Housing	2 303 376	-	-	-	-	**-**	**2 303 376**	(959 093)	-	-	(138 380)	-	**(1 097 473)**	1 205 903
Land	29 709 523	-	-	-	-	**-**	**29 709 523**	-	-	-	-	-	**-**	29 709 523
Operational facilities	127 187 521	-	-	-	-	**-**	**127 187 521**	(70 701 729)	-	-	(7 367 753)	-	**(78 069 482)**	49 118 039
Servitudes	211 699 470	-	-	-	-	**-**	**211 699 470**	-	-	-	-	-	**-**	211 699 470
Social facilities	10 680 636	-	-	-	-	**-**	**10 680 636**	(5 256 297)	-	-	(529 312)	-	**(5 785 609)**	4 895 027
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Sport and recreation facilities	10 931 486	-	-	-	-	**-**	**10 931 486**	(6 027 574)	-	-	(468 500)	-	**(6 496 074)**	4 435 412
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	483 335 863	**-**	**-**	**-**	**-**	**-**	**483 335 863**	**(134 628 483)**	**-**	**-**	**(15 394 903)**	**-**	**(150 023 386)**	**333 312 477**
Infrastructure														
Bridges	5 144 810	-	-	-	-	**-**	**5 144 810**	(2 160 820)	-	-	(94 465)	-	**(2 255 285)**	2 889 525
Electricity network	82 103 326	20 997 391	-	-	-	**-**	**103 100 717**	(32 034 360)	-	-	(1 988 666)	-	**(34 023 026)**	69 077 691
Road network	1 190 494 918	21 721 701	-	-	-	**-**	**1 212 216 619**	(552 547 957)	-	-	(61 351 748)	-	**(613 899 705)**	598 316 914
Water supply network	24 732 103	-	-	-	-	**-**	**24 732 103**	(11 616 411)	-	-	(724 776)	-	**(12 341 187)**	12 390 916
Solid Waste Facilities	-	17 765 731	-	-	-	**-**	**17 765 731**	-	-	-	-	-	**-**	17 765 731
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	1 302 475 157	**60 484 823**	**-**	**-**	**-**	**-**	**1 362 959 980**	**(598 359 548)**	**-**	**-**	**(64 159 655)**	**-**	**(662 519 203)**	**700 440 777**
Community Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Appendix B
June 2015

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 loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Specialised vehicles	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets														
Capital spares	2 809 006	-	-	-	-	**-**	**2 809 006**	(1 179 783)	-	-	(62 422)	-	**(1 242 205)**	1 566 801
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
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	2 809 006	**-**	**-**	**-**	**-**	**-**	**2 809 006**	**(1 179 783)**	**-**	**-**	**(62 422)**	**-**	**(1 242 205)**	**1 566 801**

Appendix B

June 2015

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 loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	483 335 863	-	-	-	-	-	**483 335 863**	(134 628 483)	-	-	(15 394 903)	-	**(150 023 386)**	333 312 477
Infrastructure	1 302 475 157	60 484 823	-	-	-	-	**1 362 959 980**	(598 359 548)	-	-	(64 159 655)	-	**(662 519 203)**	700 440 777
Community Assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Heritage assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	2 809 006	-	-	-	-	-	**2 809 006**	(1 179 783)	-	-	(62 422)	-	**(1 242 205)**	1 566 801
	1 788 620 026	**60 484 823**	**-**	**-**	**-**	**-**	**1 849 104 849**	**(734 167 814)**	**-**	**-**	**(79 616 980)**	**-**	**(813 784 794)**	**1 035 320 055**
Agricultural/Biological assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software, other	2 284 989	-	-	-	-	-	**2 284 989**	-	-	-	(796 264)	-	**(796 264)**	1 488 725
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	2 284 989	**-**	**-**	**-**	**-**	**-**	**2 284 989**	**-**	**-**	**-**	**(796 264)**	**-**	**(796 264)**	**1 488 725**
Investment properties														
Investment property	66 314 615	-	-	-	3 098 427	-	**69 413 042**	-	-	-	-	-	**-**	69 413 042
	66 314 615	**-**	**-**	**-**	**3 098 427**	**-**	**69 413 042**	**-**	**-**	**-**	**-**	**-**	**-**	**69 413 042**
Total														
Land and buildings	483 335 863	-	-	-	-	-	**483 335 863**	(134 628 483)	-	-	(15 394 903)	-	**(150 023 386)**	333 312 477
Infrastructure	1 302 475 157	60 484 823	-	-	-	-	**1 362 959 980**	(598 359 548)	-	-	(64 159 655)	-	**(662 519 203)**	700 440 777
Community Assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Heritage assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	2 809 006	-	-	-	-	-	**2 809 006**	(1 179 783)	-	-	(62 422)	-	**(1 242 205)**	1 566 801
Agricultural/Biological assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Intangible assets	2 284 989	-	-	-	-	-	**2 284 989**	-	-	-	(796 264)	-	**(796 264)**	1 488 725
Investment properties	66 314 615	-	-	-	3 098 427	-	**69 413 042**	-	-	-	-	-	**-**	69 413 042
	1 857 219 630	**60 484 823**	**-**	**-**	**3 098 427**	**-**	**1 920 802 880**	**(734 167 814)**	**-**	**-**	**(80 413 244)**	**-**	**(814 581 058)**	**1 106 221 822**

Appendix B

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	21 308 382	-	-	-	-	**-**	**21 308 382**	-	-	-	-	-	**-**	21 308 382
Landfill Sites (Separate for AFS pursoses)	1 831 645	-	-	-	-	**-**	**1 831 645**	-	-	-	(377 103)	-	**(377 103)**	1 454 542
Buildings (Separate for AFS purposes)	94 067 862	-	-	-	-	**-**	**94 067 862**	(44 766 939)	-	-	(5 110 473)	-	**(49 877 412)**	44 190 450
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	117 207 889	**-**	**-**	**-**	**-**	**-**	**117 207 889**	**(44 766 939)**	**-**	**-**	**(5 487 576)**	**-**	**(50 254 515)**	**66 953 374**
Infrastructure														
Roads, Storm Drains & Pavements	983 474 128	6 408 897	-	-	-	**-**	**989 883 025**	(342 221 013)	-	-	(36 122 460)	-	**(378 343 473)**	611 539 552
Bridges	5 529 046	-	-	-	-	**-**	**5 529 046**	(2 220 439)	-	-	(101 761)	-	**(2 322 200)**	3 206 846
Capital Work In Progress	36 483 520	12 640 080	-	(6 408 897)	-	**-**	**42 714 703**	-	-	-	-	-	**-**	42 714 703
High Mast & Street Lights	59 344 852	-	-	-	-	**-**	**59 344 852**	(15 489 777)	-	-	(1 318 774)	-	**(16 808 551)**	42 536 301
Capital Spares	3 406 940	-	-	-	-	**-**	**3 406 940**	-	-	-	(1 430 915)	-	**(1 430 915)**	1 976 025
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	1 088 238 486	**19 048 977**	**-**	**(6 408 897)**	**-**	**-**	**1 100 878 566**	**(359 931 229)**	**-**	**-**	**(38 973 910)**	**-**	**(398 905 139)**	**701 973 427**
Community Assets														
Recreational Facilities	21 764 404	-	-	-	-	**-**	**21 764 404**	(9 134 989)	-	-	(994 551)	-	**(10 129 540)**	11 634 864
Community Buildings	62 679 197	-	-	-	-	**-**	**62 679 197**	(30 101 499)	-	-	(5 349 326)	-	**(35 450 825)**	27 228 372
Emergency Equipment	873 392	852 340	-	-	-	**-**	**1 725 732**	(365 594)	-	-	(325 207)	-	**(690 801)**	1 034 931
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
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	85 316 993	**852 340**	**-**	**-**	**-**	**-**	**86 169 333**	**(39 602 082)**	**-**	**-**	**(6 669 084)**	**-**	**(46 271 166)**	**39 898 167**

Appendix B
June 2015

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
Furniture and Fixtures	8 245 528	-	-	-	-	-	8 245 528	(2 691 412)	-	-	(1 177 933)	-	(3 869 345)	4 376 183
Motor Vehicles	38 518 584	-	-	-	-	-	38 518 584	(11 602 352)	-	-	(3 913 929)	-	(15 516 281)	23 002 303
Other Assets	794 904	1 629	-	-	-	-	796 533	(330 183)	-	-	(159 290)	-	(489 473)	307 060
Office Equipment	432 875	1 796	-	-	-	-	434 671	(114 391)	-	-	(85 089)	-	(199 480)	235 191
Computer Equipment	2 291 546	-	-	-	-	-	2 291 546	(636 858)	-	-	(442 668)	-	(1 079 526)	1 212 020
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	50 283 437	**3 425**	-	-	-	-	**50 286 862**	**(15 375 196)**	-	-	**(5 778 909)**	-	**(21 154 105)**	**29 132 757**

Appendix B

June 2015

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	117 207 889	-	-	-	-	-	**117 207 889**	(44 766 939)	-	-	(5 487 576)	-	**(50 254 515)**	66 953 374
Infrastructure	1 088 238 486	19 048 977	-	(6 408 897)	-	-	**1 100 878 566**	(359 931 229)	-	-	(38 973 910)	-	**(398 905 139)**	701 973 427
Community Assets	85 316 993	852 340	-	-	-	-	**86 169 333**	(39 602 082)	-	-	(6 669 084)	-	**(46 271 166)**	39 898 167
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	50 283 437	3 425	-	-	-	-	**50 286 862**	(15 375 196)	-	-	(5 778 909)	-	**(21 154 105)**	29 132 757
	1 341 046 805	**19 904 742**	-	**(6 408 897)**	-	-	**1 354 542 650**	**(459 675 446)**	-	-	**(56 909 479)**	-	**(516 584 925)**	**837 957 725**
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & other	2 284 989	-	-	-	-	-	**2 284 989**	-	-	-	-	-	-	2 284 989
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 284 989	-	-	-	-	-	**2 284 989**	-	-	-	-	-	-	**2 284 989**
Investment properties														
Investment property	62 096 504	-	-	-	4 218 111	-	**66 314 615**	-	-	-	-	-	-	66 314 615
	62 096 504	-	-	-	**4 218 111**	-	**66 314 615**	-	-	-	-	-	-	**66 314 615**
Total														
Land and buildings	117 207 889	-	-	-	-	-	**117 207 889**	(44 766 939)	-	-	(5 487 576)	-	**(50 254 515)**	66 953 374
Infrastructure	1 088 238 486	19 048 977	-	(6 408 897)	-	-	**1 100 878 566**	(359 931 229)	-	-	(38 973 910)	-	**(398 905 139)**	701 973 427
Community Assets	85 316 993	852 340	-	-	-	-	**86 169 333**	(39 602 082)	-	-	(6 669 084)	-	**(46 271 166)**	39 898 167
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	50 283 437	3 425	-	-	-	-	**50 286 862**	(15 375 196)	-	-	(5 778 909)	-	**(21 154 105)**	29 132 757
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	2 284 989	-	-	-	-	-	**2 284 989**	-	-	-	-	-	-	2 284 989
Investment properties	62 096 504	-	-	-	4 218 111	-	**66 314 615**	-	-	-	-	-	-	66 314 615
	1 405 428 298	**19 904 742**	-	**(6 408 897)**	**4 218 111**	-	**1 423 142 254**	**(459 675 446)**	-	-	**(56 909 479)**	-	**(516 584 925)**	**906 557 329**

Mahikeng Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2015

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed		
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar
Municipal Infrastructure Grant (MIG)	5 680 000	17 040 000	24 081 000	-	16 177 898	8 947 725	7 003 583	14 671 795	-	-	10 000 000
Finance Management Grant (FMG)	1 600 000	-	-	-	177 770	202 491	215 172	192 970	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Municipal Systems Improvement Grant (MSIG)	934 000	-	-	-	730 720	254 500	-	-	-	-	-
Library Grant	670 000	-	-	-	105 125	134 426	219 060	211 389	-	-	-
	8 884 000	17 040 000	24 081 000	-	17 191 513	9 539 142	7 437 815	15 076 154	-	-	10 000 000

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Mahikeng Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2015

	2015/2014														2014/2013
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	148 359 809	(20 893 809)	127 466 000	-		127 466 000	142 189 789		14 723 789	112 %	96 %				127 465 555
Property rates - penalties & collection charges	14 596 359	(1 306 699)	13 289 660	-		13 289 660	-		(13 289 660)	- %	- %				-
Service charges - water revenue	115 452 000	(43 926 768)	71 525 232	-		71 525 232	80 028 973		8 503 741	112 %	69 %				62 763 816
Service charges - sanitation revenue	25 433 900	-	25 433 900	-		25 433 900	24 011 922		(1 421 978)	94 %	94 %				23 381 573
Service charges - refuse revenue	22 431 480	-	22 431 480	-		22 431 480	29 236 120		6 804 640	130 %	130 %				24 969 074
Service charges - other	12 533 204	(8 964 283)	3 568 921	-		3 568 921	-		(3 568 921)	- %	- %				-
Rental of facilities and equipment	3 739 000	(2 225 528)	1 513 472	-		1 513 472	1 059 229		(454 243)	70 %	28 %				976 118
Interest earned - external investments	2 000 000	-	2 000 000	-		2 000 000	43 406 640		41 406 640	2 170 %	2 170 %				38 282 923
Interest earned - outstanding debtors	15 756 794	12 330 278	28 087 072	-		28 087 072	-		(28 087 072)	- %	- %				-
Fines	3 421 000	(2 821 814)	599 186	-		599 186	9 543 087		8 943 901	1 593 %	279 %				14 286 566
Licences and permits	3 336 536	(459 963)	2 876 573	-		2 876 573	5 547 854		2 671 281	193 %	166 %				5 204 126
Transfers recognised - operational	153 128 000	-	153 128 000	-		153 128 000	132 827 122		(20 300 878)	87 %	87 %				-
Other revenue	3 092 896	(1 259 491)	1 833 405	-		1 833 405	3 824 525		1 991 120	209 %	124 %				11 352 027
Gains on disposal of PPE	550 000	1 950 000	2 500 000	-		2 500 000	(592 550)		(3 092 550)	(24)%	(108)%				-
Total Revenue (excluding capital transfers and contributions)	**523 830 978**	**(67 578 077)**	**456 252 901**	**-**		**456 252 901**	**471 082 711**		**14 829 810**	**103 %**	**90 %**				**308 681 778**

Mahikeng Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2015

	2015/2014											2014/2013			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	200 656 762	(10 290 694)	190 366 068	-	-	190 366 068	203 026 350	-	12 660 282	107 %	101 %	-	-	-	191 142 864
Remuneration of councillors	21 018 000	-	21 018 000	-	-	21 018 000	21 302 349	-	284 349	101 %	101 %	-	-	-	19 249 186
Debt impairment	50 932 000	-	50 932 000		-	50 932 000	166 382 712	-	115 450 712	327 %	327 %	-	-	-	139 375 927
Depreciation & asset impairment	29 657 407	-	29 657 407		-	29 657 407	163 735 904	-	134 078 497	552 %	552 %	-	-	-	58 075 155
Finance charges	3 745 000	-	3 745 000	-	-	3 745 000	6 584 334	-	2 839 334	176 %	176 %	-	-	-	9 816 547
Bulk purchases	78 000 000	-	78 000 000	-	-	78 000 000	67 456 793	-	(10 543 207)	86 %	86 %	-	-	-	53 278 801
Other materials	8 346 226	1 621 058	9 967 284	-	-	9 967 284	-	-	(9 967 284)	- %	- %	-	-	-	-
Contracted services	16 019 566	7 527 120	23 546 686	-	-	23 546 686	13 196 797	-	(10 349 889)	56 %	82 %	-	-	-	17 253 838
Transfers and grants	30 383 000	408 984	30 791 984	-	-	30 791 984	19 330 582	-	(11 461 402)	63 %	64 %	-	-	-	-
Other expenditure	76 872 480	9 861 252	86 733 732	-	-	86 733 732	83 956 999	-	(2 776 733)	97 %	109 %	-	-	-	125 493 317
Total Expenditure	**515 630 441**	**9 127 720**	**524 758 161**	**-**	**-**	**524 758 161**	**744 972 820**	**-**	**220 214 659**	**142 %**	**144 %**	**-**	**-**	**-**	**613 685 635**
Surplus/(Deficit)	**8 200 537**	**(76 705 797)**	**(68 505 260)**	**-**		**(68 505 260)**	**(273 890 109)**		**(205 384 849)**	**400 %**	**(3 340)%**				**(305 003 857)**
Transfers recognised - capital	53 961 000	-	53 961 000	-		53 961 000	49 710 298		(4 250 702)	92 %	92 %				-
Surplus/(Deficit) after capital transfers & contributions	**62 161 537**	**(76 705 797)**	**(14 544 260)**	**-**		**(14 544 260)**	**(224 179 811)**		**(209 635 551)**	**1 541 %**	**(361)%**				**(305 003 857)**
Surplus/(Deficit) after taxation	**62 161 537**	**(76 705 797)**	**(14 544 260)**	**-**		**(14 544 260)**	**(224 179 811)**		**(209 635 551)**	**1 541 %**	**(361)%**				**(305 003 857)**
Surplus/(Deficit) attributable to municipality	**62 161 537**	**(76 705 797)**	**(14 544 260)**	**-**		**(14 544 260)**	**(224 179 811)**		**(209 635 551)**	**1 541 %**	**(361)%**				**(305 003 857)**
Surplus/(Deficit) for the year	**62 161 537**	**(76 705 797)**	**(14 544 260)**	**-**		**(14 544 260)**	**(224 179 811)**		**(209 635 551)**	**1 541 %**	**(361)%**				**(305 003 857)**