

Tswaing Local Municipality  
Annual financial statements  
for the year ended 30 June 2016

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## General Information

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### Mayoral committee

Executive Mayor

Mr KC Mogatusi

Mrs MT Mokgethi-Speaker

Mr TS Heneck - Chief Whip

Mr AT Mabove - Member (Exco)

Miss AM Mokwatsi - Member (Exco)

Mrs C Visser - Member (Exco)

Councillors

MM Botswe

MS Letlakane

AM Mokwatsi

AT Mabovu

TST Tsholo

VT Mathiba

TS Henneck

KV Mohubuke

AM Motjale

LY Taljaard

MS Letlakane

**Grading of local authority**

Low capacity

**Chief Finance Officer (CFO)**

Masego Kwenamore

**Accounting Officer**

Mr M Morwe

**Registered office**

Cnr. General Delarey and Government Street  
Delareyville  
2770

**Business address**

Cnr. General Delarey and Government Street  
Delareyville  
2770

**Postal address**

P O Box 24  
Delareyville  
2770

**Bankers**

First National Bank

**Auditors**

Auditor General South Africa

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

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

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### Abbreviations

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

# **Tswaing Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

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

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer 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 annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 40, which have been prepared on the going concern basis, were approved by the on 31 August 2016 and were signed on its behalf by:

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**31 August 2016**

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015
<b>Assets</b>			
Current Assets			
Inventories	3	972 868	826 632
Vat receivable	4	1 412 355	588 697
Trade receivables from exchange transactions	5	36 876 845	28 105 845
Cash and cash equivalents	6	1 334 805	631 651
		<b>40 596 873</b>	<b>30 152 825</b>
Non-Current Assets			
Biological assets	7	1 197 600	1 365 100
Investment property	8	32 072 780	32 072 780
Property, plant and equipment	9	147 584 050	513 544 826
Other financial assets	10	579 457	609 702
		<b>181 433 887</b>	<b>547 592 408</b>
<b>Total Assets</b>		<b>222 030 760</b>	<b>577 745 233</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	11	119 714 014	137 774 793
Consumer deposits	12	1 107 676	1 018 635
Unspent conditional grants and receipts	13	1 487 911	2 621 799
Unallocated receipts		7 711 113	-
		<b>130 020 714</b>	<b>141 415 227</b>
Non-Current Liabilities			
Provisions	14	55 112 607	47 952 718
<b>Total Liabilities</b>		<b>185 133 321</b>	<b>189 367 945</b>
<b>Net Assets</b>		<b>36 897 439</b>	<b>388 377 288</b>
Accumulated surplus	15	36 897 439	388 377 288

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	17	50 422 670	53 640 248
Rental of facilities and equipment		322 792	485 574
Licences and permits		6 621 984	1 390 955
Commissions received		31 409	248 178
Unconditional grants		800 000	-
Other income		2 135 340	1 388 676
Interest received	19	318 248	106 161
Dividends received	19	9 515	7 642
<b>Total revenue from exchange transactions</b>		<b>60 661 958</b>	<b>57 267 434</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	20	16 365 862	13 110 900
<b>Transfer revenue</b>			
Government grants & subsidies	21	109 982 599	123 556 988
<b>Total revenue from non-exchange transactions</b>		<b>126 348 461</b>	<b>136 667 888</b>
<b>Total revenue</b>	16	<b>187 010 419</b>	<b>193 935 322</b>
<b>Expenditure</b>			
Employee related costs	22	(68 447 365)	(64 304 550)
Remuneration of councillors	23	(8 574 340)	(8 488 499)
Depreciation and amortisation	24	(2 983 953)	(103 123 499)
Interest costs	25	(8 041 904)	(3 380 730)
Lease rentals on operating lease		(271 604)	(744 802)
Debt Impairment	26	(19 498 786)	(15 726 870)
Repairs and maintenance		(4 140 079)	(6 461 926)
Bulk purchases	27	(24 858 005)	(34 188 567)
Contracted services	28	(1 094 750)	(3 446 276)
General Expenses	29	(45 704 236)	(95 312 907)
<b>Total expenditure</b>		<b>(183 615 022)</b>	<b>(335 178 626)</b>
<b>Operating surplus (deficit)</b>	34	<b>3 395 397</b>	<b>(141 243 304)</b>
Loss on disposal of assets and liabilities		(106 500)	-
Fair value adjustments	31	(982 468)	(1 105 258)
Actuarial gains/losses		(2 119 000)	5 224 000
		<b>(3 207 968)</b>	<b>4 118 742</b>
<b>Deficit for the year</b>		<b>187 429</b>	<b>(137 124 562)</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2014</b>	<b>525 501 849</b>	<b>525 501 849</b>
Changes in net assets		
Surplus for the year	(137 124 561)	(137 124 561)
Total changes	(137 124 561)	(137 124 561)
<b>Balance at 01 July 2015</b>	<b>36 710 010</b>	<b>36 710 010</b>
Changes in net assets		
Surplus for the year	187 429	187 429
Total changes	187 429	187 429
<b>Balance at 30 June 2016</b>	<b>36 897 439</b>	<b>36 897 439</b>
Note(s)		



# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash received from customers		37 554 157	54 471 316
Grants		110 336 800	125 031 200
Interest income		318 248	106 161
Dividends received		9 515	7 642
		<u>148 218 720</u>	<u>179 616 319</u>
<b>Payments</b>			
Employee costs		(66 713 956)	(72 395 089)
Cash paid to suppliers		(109 135 514)	(110 327 868)
Interest costs		(8 041 904)	(3 380 730)
Other payments		-	(15 155 498)
Other cash item		18 246 374	(827 005)
		<u>(165 645 000)</u>	<u>(202 086 190)</u>
<b>Net cash flows from operating activities</b>	35	<b>(17 426 280)</b>	<b>(22 469 871)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	336 163 467	(1 007 174)
Proceeds from sale of property, plant and equipment	9	-	8 544 137
Proceeds from sale of financial assets		30 245	(41 069)
Proceeds from sale of biological assets	7	322 000	-
Proceeds from sale of eskom deposit		(106 500)	300 000
<b>Net cash flows from investing activities</b>		<b>336 409 212</b>	<b>7 795 894</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(31 710)	-
Unallocated receipts		7 711 113	10 308
<b>Net cash flows from financing activities</b>		<b>7 679 403</b>	<b>10 308</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-</b>	<b>(14 663 669)</b>
Cash and cash equivalents at the beginning of the year		631 651	139 822
<b>Cash and cash equivalents at the end of the year</b>	6	<b>1 334 805</b>	<b>636 040</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	57 856 773	2 200 000	<b>60 056 773</b>	50 422 670	<b>(9 634 103)</b>	Less revenue due to loss in electricity distribution
Rental of facilities and equipment	481 538	-	<b>481 538</b>	322 792	<b>(158 746)</b>	
Licences and permits	419 625	500 000	<b>919 625</b>	6 621 984	<b>5 702 359</b>	Increase in licences and traffic fines issued
Commissions received	-	-	-	31 409	<b>31 409</b>	
Unconditional grants	-	-	-	800 000	<b>800 000</b>	Change in classification in current year
Other income	10 638 805	(7 710 000)	<b>2 928 805</b>	2 135 340	<b>(793 465)</b>	Less revenue due to unallocated income.
Fines	62 347	-	<b>62 347</b>	-	<b>(62 347)</b>	
Interest received - investment	300	280 000	<b>280 300</b>	318 248	<b>37 948</b>	
Dividends received	-	-	-	9 515	<b>9 515</b>	
<b>Total revenue from exchange transactions</b>	<b>69 459 388</b>	<b>(4 730 000)</b>	<b>64 729 388</b>	<b>60 661 958</b>	<b>(4 067 430)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	13 180 350	2 400 000	<b>15 580 350</b>	16 365 862	<b>785 512</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	-	-	-	109 982 599	<b>109 982 599</b>	
<b>Total revenue from non-exchange transactions</b>	<b>13 180 350</b>	<b>2 400 000</b>	<b>15 580 350</b>	<b>126 348 461</b>	<b>110 768 111</b>	
<b>Total revenue</b>	<b>82 639 738</b>	<b>(2 330 000)</b>	<b>80 309 738</b>	<b>187 010 419</b>	<b>106 700 681</b>	
<b>Expenditure</b>						
Personnel	(69 077 541)	1 195 000	<b>(67 882 541)</b>	(68 447 365)	<b>(564 824)</b>	
Remuneration of councillors	(8 871 763)	-	<b>(8 871 763)</b>	(8 574 340)	<b>297 423</b>	
Depreciation and amortisation	(11 124 959)	-	<b>(11 124 959)</b>	(2 983 953)	<b>8 141 006</b>	
Finance costs	-	-	-	(8 041 904)	<b>(8 041 904)</b>	
Lease rentals on operating lease	-	-	-	(271 604)	<b>(271 604)</b>	
Bad debts written off	(4 780 000)	-	<b>(4 780 000)</b>	(19 498 786)	<b>(14 718 786)</b>	
Repairs and maintenance	-	-	-	(4 140 079)	<b>(4 140 079)</b>	
Bulk purchases	(36 101 524)	3 000 000	<b>(33 101 524)</b>	(24 858 005)	<b>8 243 519</b>	
Contracted Services	(5 831 893)	-	<b>(5 831 893)</b>	(1 094 750)	<b>4 737 143</b>	
General Expenses	(25 682 789)	(2 800 000)	<b>(28 482 789)</b>	(45 704 236)	<b>(17 221 447)</b>	
<b>Total expenditure</b>	<b>(161 470 469)</b>	<b>1 395 000</b>	<b>(160 075 469)</b>	<b>(183 615 022)</b>	<b>(23 539 553)</b>	

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Operating surplus</b>	<b>(78 830 731)</b>	<b>(935 000)</b>	<b>(79 765 731)</b>	<b>3 395 397</b>	<b>83 161 128</b>	
Loss on disposal of assets and liabilities	-	-	-	(106 500)	<b>(106 500)</b>	
Fair value adjustments	-	-	-	(982 468)	<b>(982 468)</b>	
Actuarial gains/losses	-	-	-	(2 119 000)	<b>(2 119 000)</b>	
	-	-	-	<b>(3 207 968)</b>	<b>(3 207 968)</b>	
<b>Surplus before taxation</b>	<b>(78 830 731)</b>	<b>(935 000)</b>	<b>(79 765 731)</b>	<b>187 429</b>	<b>79 953 160</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(78 830 731)</b>	<b>(935 000)</b>	<b>(79 765 731)</b>	<b>187 429</b>	<b>79 953 160</b>	
<b>Reconciliation</b>						

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

#### 1.2 Going concern assumption

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

#### 1.3 Significant judgements and sources of estimation uncertainty

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

#### 1.4 Biological assets

The entity recognises a biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

#### 1.5 Investment property

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

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

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

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

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

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

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Investment property (continued)

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

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

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

### 1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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

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

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

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

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

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

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

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

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

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

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

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

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

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

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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

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

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

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

### 1.7 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.7 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.7 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.

### 1.8 Leases

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

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

### 1.9 Inventories

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

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

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

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

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

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

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

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

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

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

### 1.10 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.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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

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

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

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

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

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

Useful life is either:

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

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

### 1.11 Employee benefits

### 1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.12 Provisions and contingencies (continued)

#### Levies

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

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

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

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

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

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

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

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

### 1.13 Revenue from exchange transactions

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

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

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

### 1.14 Revenue from non-exchange transactions

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

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

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

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

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

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

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

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Accounting Policies

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

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

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

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

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

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

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

### 1.15 Investment income

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

### 1.16 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

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

### 1.17 Comparative figures

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

### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.19 Fruitless and wasteful expenditure

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

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

### 1.20 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.

# **Tswaing Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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### **1.20 Irregular expenditure (continued)**

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.

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.

### **1.21 Budget information**

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

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

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

The approved budget covers the fiscal period from 2015-07-01 to 2016-06-30.

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

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

### **1.22 Related parties**

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

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

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

# **Tswaing Local Municipality**

Annual Financial Statements for the year ended 30 June 2016

## **Accounting Policies**

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### **1.22 Related parties (continued)**

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

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>2. New standards and interpretations</b>		
<b>2.1 Standards and interpretations issued, but not yet effective</b>		
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 2016 or later periods:		
<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• GRAP 20: Related parties	01 April 2016	
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	
• GRAP108: Statutory Receivables	01 April 2016	
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	
<b>3. Inventories</b>		
Stores, materials and fuels	972 868	826 632
<b>Inventory pledged as security</b>		
No inventory was pledged as security.		
<b>4. VAT receivable</b>		
VAT	1 412 355	588 697
<b>5. Trade and other receivables from exchange transactions</b>		
<b>Gross balances</b>		
Rates	46 342 537	51 922 208
Electricity	37 277 826	26 430 251
Water	37 894 361	32 657 623
Other	17 657 682	468 379
Sewerage	45 294 801	53 863 894
Refuse	57 327 249	47 487 120
Vat on debtors	7 885 486	11 327 113
	<b>249 679 942</b>	<b>224 156 588</b>
<b>Less: Allowance for impairment</b>		
Consumer debtors impairment	(212 803 097)	(196 050 744)
<b>Net balance</b>		
Rates	46 342 537	51 922 208
Electricity	37 277 826	26 430 251
Water	37 894 361	32 657 623
Waste water	17 657 682	468 379
Sewerage	45 294 801	53 863 894
Refuse	57 327 249	47 487 120
Housing rental	7 885 486	11 327 113
Allowance for impairment	(212 803 097)	(196 050 743)
	<b>36 876 845</b>	<b>28 105 845</b>



# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>5. Trade and other receivables from exchange transactions (continued)</b>		
<b>Rates</b>		
Current (0 -30 days)	-	1 062 521
31 - 60 days	-	1 169 373
61 - 90 days	-	921 616
91 - 120 days	-	34 704 561
121 - 365 days	22 940 532	-
> 365 days	23 402 005	14 064 137
	<b>46 342 537</b>	<b>51 922 208</b>
<b>Electricity</b>		
Current (0 -30 days)	-	1 725 224
31 - 60 days	-	1 020 870
61 - 90 days	-	988 325
91 - 120 days	-	22 695 832
121 - 365 days	5 646 705	-
> 365 days	31 631 121	-
	<b>37 277 826</b>	<b>26 430 251</b>
<b>Water</b>		
Current (0 -30 days)	-	368 533
31 - 60 days	-	488 472
61 - 90 days	-	348 223
91 - 120 days	-	31 452 395
121 - 365 days	2 279 902	-
> 365 days	35 614 459	-
	<b>37 894 361</b>	<b>32 657 623</b>
<b>Other</b>		
Current (0 -30 days)	-	2 920
31 - 60 days	-	4 115
61 - 90 days	-	1 600
91 - 120 days	-	459 744
121 - 365 days	221 774	-
> 365 days	17 435 908	-
	<b>17 657 682</b>	<b>468 379</b>
<b>Sewerage</b>		
Current (0 -30 days)	-	620 429
31 - 60 days	-	591 459
61 - 90 days	-	561 323
91 - 120 days	-	52 090 683
121 - 365 days	3 999 491	-
> 365 days	41 295 310	-
	<b>45 294 801</b>	<b>53 863 894</b>
<b>Refuse</b>		
Current (0 -30 days)	-	634 731
31 - 60 days	-	593 802
61 - 90 days	-	571 129
91 - 120 days	-	45 687 458
121 - 365 days	4 219 229	-
> 365 days	53 108 020	-
	<b>57 327 249</b>	<b>47 487 120</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 5. Trade and other receivables from exchange transactions (continued)

#### Vat on debtors

Current (0 -30 days)	-	467 036
31 - 60 days	-	375 421
61 - 90 days	-	343 859
91 - 120 days	-	10 140 797
> 365 days	7 885 486	-
	<b>7 885 486</b>	<b>11 327 113</b>

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(196 050 744)	(180 323 874)
Contributions to allowance	(16 752 353)	(15 726 869)
	<b>(212 803 097)</b>	<b>(196 050 743)</b>

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(196 050 744)	(180 323 874)
Contributions to allowance	(16 752 353)	(15 726 870)
	<b>(212 803 097)</b>	<b>(196 050 744)</b>

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	455	253
Bank balances	1 334 350	631 399
	<b>1 334 805</b>	<b>631 652</b>

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

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
First National Bank - Current Account (52050012816)	770 571	576 298	119 374	770 571	576 298	(7 584 986)
Traffic Fines Account (62526417086)	494 874	36 612	-	494 874	36 612	-
Money Market Account (62263163752)	68 906	23 138	20 448	68 906	23 138	20 488
<b>Total</b>	<b>1 334 351</b>	<b>636 048</b>	<b>139 822</b>	<b>1 334 351</b>	<b>636 048</b>	<b>(7 564 498)</b>

### 7. Biological assets

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Biological assets-Game	1 197 600	-	1 197 600	1 365 100	-	1 365 100

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 7. Biological assets (continued)

#### Reconciliation of biological assets - 2016

	Opening balance	Disposals	Gains or losses arising from changes in fair value	Total
Biological assets - Game	1 365 100	(322 000)	154 500	1 197 600

#### Reconciliation of biological assets - 2015

	Opening balance	Gains or losses arising from changes in fair value	Total
Biological assets - Game	2 470 358	(1 105 258)	1 365 100

### 8. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	32 072 780	-	32 072 780	32 072 780	-	32 072 780

#### Reconciliation of investment property - 2016

	Opening balance	Total
Investment property	32 072 780	32 072 780

#### Reconciliation of investment property - 2015

	Opening balance	Total
Investment property	32 072 779	32 072 780

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.

#### Deemed cost

Investment property consist of land and is carried at cost. No depreciation is calculated as land is deemed to have an indefinite useful life.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand

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### 9. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	125 443 943	(47 128 290)	78 315 653	125 443 943	(43 319 464)	82 124 479
Infrastructure	49 905 425	(3 033 188)	46 872 237	514 900 729	(246 086 430)	268 814 299
Community	-	789 974	789 974	200 007 819	(109 374 562)	90 633 257
Other property, plant and equipment # 4	21 606 186	-	21 606 186	71 972 791	-	71 972 791
<b>Total</b>	<b>196 955 554</b>	<b>(49 371 504)</b>	<b>147 584 050</b>	<b>912 325 282</b>	<b>(398 780 456)</b>	<b>513 544 826</b>

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

	Opening balance	Difference	Additions	Additions through entity combinations	Other changes, movements	Depreciation	Total
Land and buildings	82 124 479	-	-	-	(32 191)	(3 776 635)	78 315 653
Machinery and equipment	-	-	290 311	(272 982)	-	(17 329)	-
Furniture and fixtures	-	-	19 798	-	-	(19 798)	-
Infrastructure assets	268 814 299	-	(204 133 471)	-	-	(17 808 591)	46 872 237
Infrastructure community assets	90 633 257	2	(81 700 518)	-	-	(8 142 767)	789 974
Other property, plant and equipment # 4	71 972 791	-	(50 366 605)	-	-	-	21 606 186
	<b>513 544 826</b>	<b>2</b>	<b>(335 890 485)</b>	<b>(272 982)</b>	<b>(32 191)</b>	<b>(29 765 120)</b>	<b>147 584 050</b>

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

	Opening balance	Additions	Impairment	Transfers received	Transfers	Depreciation	Total
Land and Buildings	85 276 140	-	-	-	-	(3 151 661)	82 124 479
Machinery and Equipment	(649 007)	666 336	-	-	-	(17 329)	-
Furniture and fixtures	469 009	-	-	-	(449 211)	(19 798)	-
Motor vehicles	5 963 798	-	(8 078 625)	2 377 917	-	(263 090)	-
Office equipment	35 339	-	(30 911)	-	-	(4 428)	-
Computer equipment	222 640	197 714	(222 640)	-	-	(197 714)	-
Work in progress	72 203 127	-	-	-	(72 203 127)	-	-
Infrastructure	267 946 793	-	-	-	1 735 012	(867 506)	268 814 299
Infrastructure - community	83 686 562	-	-	-	(83 686 562)	-	-
Other assets	107 470	143 124	(211 961)	-	-	(38 633)	-
	-	-	-	-	-	-	71 972 791
	<b>515 261 871</b>	<b>1 007 174</b>	<b>(8 544 137)</b>	<b>2 377 917</b>	<b>(154 603 888)</b>	<b>(4 560 159)</b>	<b>422 911 566</b>

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.

### 10. Other financial assets

#### Designated at fair value

Listed shares	579 457	609 702
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# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 10. Other financial assets (continued)

#### Non-current assets

Designated at fair value	579 457	609 702
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### 11. Payables from exchange transactions

Trade payables	90 417 172	102 534 040
Payments received in advanced - contract in process	13 423 066	14 552 834
Retentions	6 481 260	7 345 778
Other payables	1 807 746	2 845 047
Accrued leave pay	6 074 773	9 069 719
Accrued bonus	1 508 099	1 425 530
Petrol card (Mayor)	1 898	1 845
	<b>119 714 014</b>	<b>137 774 793</b>

### 12. Consumer deposits

Rates	1 107 676	1 018 635
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### 13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

MIG	82 833	2 930 923
FMG	(45 009)	(45 009)
LIBRARY GRANT	1 295 541	(64 459)
MSIG	709 631	417 014
LG SETA	(11 379)	(72 964)
EPWP	(543 706)	(543 706)
	<b>1 487 911</b>	<b>2 621 799</b>

### 14. Provisions

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	13 828 718	-	(144 111)	13 684 607
Employee long service benefit cost	4 685 000	219 000	-	4 904 000
Post employment medical aid liability	29 439 000	7 085 000	-	36 524 000
	<b>47 952 718</b>	<b>7 304 000</b>	<b>(144 111)</b>	<b>55 112 607</b>

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	11 992 310	1 692 297	-	13 684 607
Employee long service benefit cost	3 930 000	755 000	-	4 685 000
Post employment medical aid liability	30 197 000	-	(758 000)	29 439 000
	<b>46 119 310</b>	<b>2 447 297</b>	<b>(758 000)</b>	<b>47 808 607</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>15. Accumulated surplus</b>		
<b>16. Revenue</b>		
Service charges	50 422 670	53 640 248
Rental of facilities and equipment	322 792	485 574
Licences and permits	6 621 984	1 390 955
Commissions received	31 409	248 178
Unconditional grants	800 000	-
Other income	2 135 340	1 388 676
Interest received - investment	318 248	106 161
Dividends received	9 515	7 642
Property rates	16 365 862	13 110 900
Government grants & subsidies	109 982 599	123 556 988
	<b>187 010 419</b>	<b>193 935 322</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	50 422 670	53 640 248
Rental of facilities and equipment	322 792	485 574
Licences and permits	6 621 984	1 390 955
Commissions received	31 409	248 178
Unconditional grants	800 000	-
Other income	2 135 340	1 388 676
Interest received - investment	318 248	106 161
Dividends received	9 515	7 642
	<b>60 661 958</b>	<b>57 267 434</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	16 365 862	13 110 900
<b>Transfer revenue</b>		
Government grants & subsidies	109 982 599	123 556 988
	<b>126 348 461</b>	<b>136 667 888</b>
<b>17. Service charges</b>		
Sale of electricity	30 564 267	32 953 203
Sale of water	3 464 108	5 308 271
Sewerage and sanitation charges	7 909 878	7 138 851
Refuse removal	8 270 626	7 961 029
Other service charges	213 790	278 893
	<b>50 422 669</b>	<b>53 640 247</b>
<b>18. Other revenue</b>		
Commissions received	31 409	248 178
Unconditional grants	800 000	-
Other income	2 135 340	1 388 676
	<b>2 966 749</b>	<b>1 636 854</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>19. Investment revenue</b>		
<b>Dividend revenue</b>		
Listed shares	9 515	7 642
<b>Interest revenue</b>		
Bank	318 248	106 161
	<b>327 763</b>	<b>113 803</b>

The amount included in Investment revenue arising from exchange transactions amounted to R 9,515 (2015:7,642).

## 20. Property rates

### Rates received

Property rates	16 365 862	13 110 900
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# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>21. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	82 956 000	73 120 000
FMG	1 875 000	2 260 125
Ngaka Modiri Molema District Municipality	57 215	2 500 000
EPWP	1 067 000	1 114 128
LG SETA	-	241 191
MSIG	637 384	482 247
LIBRARY GRANT	-	370 204
	<b>86 592 599</b>	<b>80 087 895</b>
<b>Capital grants</b>		
MIG	23 390 000	41 984 193
INEP	-	1 484 899
	<b>23 390 000</b>	<b>43 469 092</b>
	<b>109 982 599</b>	<b>123 556 987</b>

### Equitable Share

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

#### MIG

Balance unspent at beginning of year	2 930 923	(2 577 884)
Current-year receipts	23 210 000	47 493 000
Conditions met - transferred to revenue	(15 796 170)	(41 984 193)
<b>Undefined Difference</b>	<b>(10 261 920)</b>	<b>-</b>
	<b>82 833</b>	<b>2 930 923</b>

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

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

#### FMG

Balance unspent at beginning of year	(45 009)	415 677
Current-year receipts	1 875 000	1 800 000
Conditions met - transferred to revenue	(1 893 047)	(2 260 686)
	<b>18 047</b>	<b>-</b>
	<b>(45 009)</b>	<b>(45 009)</b>

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

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

#### LIBRARY GRANT

Balance unspent at beginning of year	(64 459)	(54 255)
Current-year receipts	-	360 000
Conditions met - transferred to revenue	-	(370 204)
<b>Undefined Difference</b>	<b>1 360 000</b>	<b>-</b>
	<b>1 295 541</b>	<b>(64 459)</b>



# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 21. Government grants and subsidies (continued)

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

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

#### MSIG

Balance unspent at beginning of year	417 014	(34 738)
Current-year receipts	930 000	934 000
Conditions met - transferred to revenue	(637 384)	(482 248)
	<b>709 630</b>	<b>417 014</b>

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

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

#### LG SETA

Balance unspent at beginning of year	(72 964)	(63 973)
Current-year receipts	118 800	232 200
Conditions met - transferred to revenue	(57 215)	(241 191)
	<b>(11 379)</b>	<b>(72 964)</b>

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

#### EPWP

Balance unspent at beginning of year	(543 706)	(521 578)
Current-year receipts	1 067 000	1 092 000
Conditions met - transferred to revenue	(1 251 806)	(1 114 128)
<b>Undefined Difference</b>	<b>184 806</b>	<b>-</b>
	<b>(543 706)</b>	<b>(543 706)</b>

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

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

#### INEP

Balance unspent at beginning of year	-	1 484 899
Conditions met - transferred to revenue	-	(1 484 899)
	<b>-</b>	<b>-</b>

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

To implement the Intergrated National Electrification Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. Provide explanations of conditions still to be met and other relevant information.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>22. Employee related costs</b>		
Basic	47 438 101	41 060 287
Bonus	3 410 937	3 266 238
Medical aid - company contributions	3 883 104	3 601 412
UIF	394 279	392 398
SDL	754 066	837 677
Defined contribution plans	354 558	338 673
Travel, motor car, accommodation, subsistence and other allowances	1 227 547	1 478 883
Overtime payments	2 527 872	2 604 277
Acting allowances	1 236 816	595 275
Housing benefits and allowances	360 013	454 460
Leave expense	(2 450 965)	838 104
Telephone allowance	152 343	86 856
Stand-by allowance	788 823	638 910
Long-term benefits - incentive scheme	8 369 872	8 111 101
	<b>68 447 366</b>	<b>64 304 551</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	552 193	335 199
Car Allowance, travel, subsistence	141 164	216 655
Contributions to UIF, Medical and Pension Funds	43 332	40 367
Backpay	5 415	-
Sundries	164 981	111 181
	<b>907 085</b>	<b>703 402</b>
<b>Technical Services Director</b>		
Annual Remuneration	331 492	319 350
Car Allowance, travel, subsistence	132 725	131 184
Contributions to UIF, Medical and Pension Funds	3 569	3 569
Backpay	-	72 641
Sundries	2 400	1 200
	<b>470 186</b>	<b>527 944</b>
<b>Acting Corporate Services Director</b>		
Annual Remuneration	415 340	335 199
Car Allowance, travel, subsistence	114 006	100 588
Contributions to UIF, Medical and Pension Funds	43 332	40 367
Backpay	5 415	-
Sundries	3 958	22 258
	<b>582 051</b>	<b>498 412</b>
<b>23. Remuneration of councillors</b>		
Executive Major	5 570 799	5 590 476
Speaker	2 257 881	2 205 944
Councillors	745 660	692 080
	<b>8 574 340</b>	<b>8 488 500</b>
<b>24. Depreciation and amortisation</b>		
Property, plant and equipment	2 983 953	103 123 499

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>25. Interest costs</b>		
Interest on fair value of employment benefits awards	3 100 000	3 380 730
Interest on late payments	4 941 904	-
	<b>8 041 904</b>	<b>3 380 730</b>
<b>26. Debt impairment</b>		
Debt impairment	2 746 432	-
Contributions to debt impairment provision	16 752 354	15 726 870
	<b>19 498 786</b>	<b>15 726 870</b>
<b>27. Bulk purchases</b>		
Electricity	23 185 916	33 404 916
Water	1 672 090	783 651
	<b>24 858 006</b>	<b>34 188 567</b>
<b>28. Contracted services</b>		
Specialist Services	39 499	590 172
Other Contractors	1 055 251	2 856 104
	<b>1 094 750</b>	<b>3 446 276</b>

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>29. General expenses</b>		
Advertising	155 551	192 556
Auditors remuneration	1 186 238	3 116 085
Bank charges	(148 687)	381 257
Commission paid	1 038 504	1 414 986
Computer expenses	696 816	860 850
Consulting and professional fees	4 139 077	4 080 732
Consumables	114 717	93 684
Delivery expenses	319 480	1 144 133
Discount allowed	326 773	144 111
Entertainment	12 566	37 009
Fines and penalties	33 000	6 553 857
Gifts	-	29 200
Insurance	375 106	201 210
Community development and training	921 269	1 501 345
Conferences and seminars	4 500	308 906
IT expenses	2 259 347	2 247 390
Magazines, books and periodicals	300	11 613
Medical expenses	-	13 500
Motor vehicle expenses	115 300	-
Packaging	125 392	269 537
Fuel and oil	797 450	1 211 756
Postage and courier	2 260	417
Printing and stationery	1 160 910	1 334 405
Promotions	-	1 502 567
Protective clothing	18 379	508 103
Security (Guarding of municipal property)	1 259 008	989 337
Subscriptions and membership fees	1 503 900	1 373 172
Telephone and fax	3 054 407	2 896 935
Training	107 665	1 657 796
Travel - local	1 939 411	2 637 021
Refuse	14 521	88 396
Title deed search fees	(132)	-
Electricity	5 310	5 065 137
Sewerage and waste disposal	1 737	11 886
Water	1 118	17 034
Unallocated vat input	(13 473 446)	8 966
Industrial council levy	21 453	20 557
MIG Grant	27 576 783	40 400 025
Prepaid Electricity	3 695 053	724 558
Electricity purchase; small amounts	2 836 427	5 512 376
Financial systems	1 555 918	5 213 732
Venue expenses	9 800	16 160
Convention bureau	688 100	91 296
Other expenses	1 252 954	1 429 312
	<b>45 704 235</b>	<b>95 312 905</b>
<b>30. Gains or losses on biological assets</b>		
<b>31. Fair value adjustments</b>		
Biological assets - (Fair value model)	(950 758)	(1 105 258)
<b>32. Auditors' remuneration</b>		
Fees	1 186 238	3 116 085

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>33. Operating lease</b>		
<b>34. Operating surplus (deficit)</b>		
Operating surplus (deficit) for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Equipment		
• Contractual amounts	271 604	744 802
Loss on sale of game	(106 500)	-
Depreciation on property, plant and equipment	2 983 953	103 123 499
Employee costs	77 021 704	72 793 048
<b>35. Cash used in operations</b>		
Surplus (deficit)	187 429	(137 124 561)
<b>Adjustments for:</b>		
Depreciation and amortisation	2 983 953	103 123 499
Gain on sale of assets and liabilities	106 500	-
Fair value adjustments	982 468	1 105 258
Debt impairment	19 498 786	15 726 870
Movements in provisions	7 159 889	1 833 408
<b>Changes in working capital:</b>		
Inventories	(146 237)	(52 864)
Other receivables from exchange transactions	-	450 170
Consumer debtors	(28 269 784)	(30 693 952)
Payables from exchange transactions	(18 060 778)	16 470 264
VAT	(823 659)	2 664 067
Unspent conditional grants and receipts	(1 133 888)	3 974 212
Consumer deposits	89 041	53 758
	<b>(17 426 280)</b>	<b>(22 469 871)</b>

### 36. Commitments

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 37. Contingencies

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of R -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims. The total cover extended by the current policy amounts to R -.

The municipality has offered termination benefits to all of its employees to encourage early retirement. The municipality has finalised and agreed, with the trade unions, the terms and conditions of the plan. The plan has been implemented and will continue for the next nine months. Management are uncertain about the number of employees who will accept the offer. If all employees take the offer the potential financial effect would approximately be R -.

There is no reimbursement from any third parties for potential obligations of the municipality.

An associate is being sued for violation of copyrights. The municipality's share of the potential claim amounts to R -. The associate's lawyers and management are of the opinion that the law suit will be successful but are unable to reliably determine the amount of penalties and damages payable.

The municipality is severally liable for the liabilities of its associate. The associate is profitable and is currently able to meet all of its present obligations.

Litigation is in the process against a competitor relating to a dispute whereby the competitor has infringed patents and the municipality is seeking damages of R -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 38. Related parties

#### Relationships

Accounting Officer  
Controlling municipality  
Members of key management

Mr M Morwe  
Ngaka Modiri Molema District Municipality  
Mr M Morwe (Acting Municipal Manager)  
Ms Masego (Acting CFO)  
Mr K Dikgwatlé (Technical Director)  
Mr S Mokgetho (Acting Community Service Director)  
Mrs O Monaheng (Acting Corporate Services Director)

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

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#### Related party balances

##### Receivables - Owing by councillors

MM Botswe	27 683	24 162
MS Letlakane	32 059	29 672
A M Mokwatsi	17 069	12 675
AT Mabovu	31 694	23 108
TST Tsholo	21 155	17 740
VTM Mathiba	2 670	6 068
TS Henneck	40 323	60 325
KS Monnapule	40 686	37 471
KV Mohubuke	30 542	28 506
AM Motjale	4 720	7 193
LY Taljaard	6 043	4 713
MS Letlakane	27 427	25 040

#### Related party transactions

### 39. Prior period errors

1. The municipality did not correctly account for VAT as the municipality did not claim and declare VAT on all payments and receipts. The municipality did not correctly account for VAT as the municipality did not claim and declare VAT on all payments and receipts, consequently VAT was incorrectly disclosed as a payable.

# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 39. Prior period errors (continued)

2. Other receivables were incorrectly disclosed as 2 746 432 when the balance should have been nil
3. Credit balances in Trade receivables from exchange transactions were not reclassified to payables therefore trade receivables were overstated by R14 127 620.
4. Cash and cash equivalents was understated by R576 196.
5. Investment Property was incorrectly accounted for based on an unsubstantiated fair value and was understated by R11,408,069.
6. Other financial assets were not disclosed based on the year end fair value resulting in an overstatement of R1,465.
7. Biological assets were incorrectly classified as Property Plant and Equipment resulting in an overstatement of Property Plant and Equipment of R3,113, 371.
8. Bank overdraft was overstated by R1,367,638.

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

### 40. Risk management

#### Financial risk management

##### Liquidity risk

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

##### Credit risk

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

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

### 41. Going concern

We draw attention to the fact that at 30 June 2016, the municipality had accumulated deficits of R 36 897 439 and that the municipality's total liabilities exceed its assets by R 36 897 439.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.



# Tswaing Local Municipality

Annual Financial Statements for the year ended 30 June 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 42. Events after the reporting date

No events have occurred after 30 June 2016 which are material enough to warrant or disclosure within the financial statements.:

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### 43. Unauthorised expenditure

Unauthorised expenditure	-	79 503 527
Additional expenditure	-	75 614 267
Condoned	-	(88 324 721)
	-	<b>66 793 073</b>

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

### 44. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	7 893 564	1 417 465
Additional expenditure	5 317 737	6 476 099
	<b>13 211 301</b>	<b>7 893 564</b>

No criminal or disciplinary steps have been taken as a consequence of above expenditure.

### 45. Irregular expenditure

Opening balance	121 755 495	12 085 714
Add: Irregular Expenditure - current year	76 250 572	109 669 781
	<b>198 006 067</b>	<b>121 755 495</b>

### 46. Budget differences

### 47. Material losses

The municipality incurred losses in distribution of electricity amounting to R11 114 378 (2015: R11 378 375). The distribution losses incurred for the distribution of water could not be ascertained as the municipality do not buy water as they use natural water from boreholes. Therefore it is impracticable to measure natural water source. the reservoirs.

## Appendix A

### Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Development Bank of South Africa		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

## Appendix A

### Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2015	Received during the period	Redeemed written off during the period	Balance at 30 June 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
		-	-	-	-	-	-
		-	-	-	-	-	-
Bonds							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Other loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Lease liability							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Annuity loans							
		-	-	-	-	-	-
		-	-	-	-	-	-

## Appendix A

### Schedule of external loans as at 30 June 2010

[illegible]

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2012

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)  
Landfill Sites (Separate for AFS purposes)  
Quarries (Separate for AFS purposes)

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Infrastructure

Roads, Pavements & Bridges  
Storm water  
Generation  
Transmission & Reticulation  
Street lighting  
Dams & Reservoirs  
Water purification  
Reticulation  
Reticulation  
Sewerage purification  
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)  
Housing  
Waste Management  
Gas  
Other (fibre optic, WIFI infrastructure)  
Other 1

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Community Assets

Parks & gardens  
Sportsfields and stadium  
Swimming pools  
Libraries  
Recreational facilities  
Museums & art galleries  
Other  
Social rental housing  
Fire, safety & emergency  
Security and policing

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Heritage assets

Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Other assets

General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

### Analysis of property, plant and equipment as at 30 June 2012

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	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Agricultural/Biological assets

	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Intangible assets

Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Investment properties

Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Total

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

Analysis of property, plant and equipment as at 30 June 2015	
Cost/Revaluation	Accumulated depreciation

[illegible]



## Appendix B

### 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

#### Heritage assets

Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Other assets

General vehicles	11 445 959	-	-	-	-	-	11 445 959	-	-	-	-	-	-	11 445 959
Machinery & equipment	185 790	887 826	-	-	-	-	1 073 616	-	-	-	-	-	-	1 073 616
Computer Equipment	660 884	22 674	-	-	-	-	683 558	-	-	-	-	-	-	683 558
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	1 641 156	-	-	-	-	-	1 641 156	-	-	-	-	-	-	1 641 156
Office Equipment	99 303	126 558	-	-	-	-	225 861	-	-	-	-	-	-	225 861
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Game (Wild animals)	3 113 571	-	-	-	-	-	3 113 571	-	-	-	-	-	-	3 113 571
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	323 301	-	-	-	-	-	323 301	-	-	-	-	-	-	323 301
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	17 469 964	1 037 058	-	-	-	-	18 507 022	-	-	-	-	-	-	18 507 022

## Appendix B

### 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
<b>Total property plant and equipment</b>														
Land and buildings	238 693 393	14 775 959	-	-	-	-	253 469 352	-	-	-	-	-	-	253 469 352
Infrastructure	664 833 337	(39 640 982)	-	40 728 260	-	-	665 920 615	-	-	-	-	-	-	665 920 615
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	17 469 964	1 037 058	-	-	-	-	18 507 022	-	-	-	-	-	-	18 507 022
	<b>920 996 694</b>	<b>(23 827 965)</b>	<b>-</b>	<b>40 728 260</b>	<b>-</b>	<b>-</b>	<b>937 896 989</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>937 896 989</b>
<b>Agricultural/Biological assets</b>														
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Investment properties</b>														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>														
Land and buildings	238 693 393	14 775 959	-	-	-	-	253 469 352	-	-	-	-	-	-	253 469 352
Infrastructure	664 833 337	(39 640 982)	-	40 728 260	-	-	665 920 615	-	-	-	-	-	-	665 920 615
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	17 469 964	1 037 058	-	-	-	-	18 507 022	-	-	-	-	-	-	18 507 022
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>920 996 694</b>	<b>(23 827 965)</b>	<b>-</b>	<b>40 728 260</b>	<b>-</b>	<b>-</b>	<b>937 896 989</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>937 896 989</b>

## Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

[illegible]

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation						Accumulated Depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
815 514	-	-	-	-	-	815 514	-	-	-	-	-	-	815 514

## Appendix D

Segmental Statement of Financial Performance for the year ended	
Prior Year	Current Year

[illegible]

## Appendix D

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

Prior Year			Current Year			
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
200 529 579	309 521 502	(108 991 923)	Total	-	-	-

## Appendix E(1)

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	-	-	-	
Service charges	50 422 670	-	50 422 670	-	
	-	-	-	-	
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	322 792	-	322 792	-	
Interest received (trading)	-	-	-	-	
Dividends received (trading)	-	-	-	-	
Agency services	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Licences and permits	6 621 984	-	6 621 984	-	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	31 409	-	31 409	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	800 000	-	800 000	-	
Other income 2	2 135 340	-	2 135 340	-	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	-	-	-	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Other income 3	-	-	-	-	
Interest received - investment	318 248	-	318 248	-	
Interest received - other	-	-	-	-	
Dividends received	9 515	-	9 515	-	
	60 661 958	-	60 661 958	-	

## Appendix E(1)

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Expenses				
Personnel	(68 447 365)	-	(68 447 365)	-
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(8 574 340)	-	(8 574 340)	-
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(2 983 953)	-	(2 983 953)	-
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(8 041 904)	-	(8 041 904)	-
Bad debts written off	(19 498 786)	-	(19 498 786)	-
Collection costs	-	-	-	-
Repairs and maintenance - Manufacturing expenses	-	-	-	-
Repairs and maintenance - General	(4 140 079)	-	(4 140 079)	-
Repairs and maintenance - General	-	-	-	-
Bulk purchases	(24 858 005)	-	(24 858 005)	-
Contracted Services	(1 094 750)	-	(1 094 750)	-
Transfers and Subsidies	-	-	-	-
Cost of housing sold	-	-	-	-
General Expenses	(45 975 840)	-	(45 975 840)	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	(183 615 022)	-	(183 615 022)	-
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	(106 500)	-	(106 500)	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	(982 468)	-	(982 468)	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-



## Appendix E(1)

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	(1 088 968)	-	(1 088 968)	-
Net surplus/ (deficit) for the year	(124 042 032)	-	(124 042 032)	-

## Appendix E(2)

## Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
<b>Municipality</b>					
Executive & Council/Mayor and Council	-	-	-	-	
Finance & Admin/Finance	-	-	-	-	
Planning and Development/Economic Development/Plan	-	-	-	-	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	-	-	-	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	-	-	-	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	-	-	-	
Road Transport/Roads	-	-	-	-	
Water/Water Distribution	-	-	-	-	
Electricity /Electricity Distribution	-	-	-	-	
Other/Air Transport	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
<b>Municipal Owned Entities</b>					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
<b>Other charges</b>					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	

**Appendix F**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

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