Mamusa Local Municipality

Annual Financial Statements
for the year ended June 30, 2015

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Service delivery
Jurisdiction	Mamusa Loal Municipality is a local municipality in Dr Ruth Segomotsi Mompati District Municipality, North West Province.
Mayoral committee	
Mayor	A Motswana
Councillors	C P Herbst
	O M Stephanes
	N G Masilo
	G G Mosebetsi
	S D J Strydom
	P M Maine
	M Y Moyake
	B T Thekiso
	T M Sepato
	T J Modisapodi
	L D Motlapele
	M V Lee
Grading of local authority	Category 3
Accounting Officer	RR Gincane
Chief Finance Officer (CFO)	S Mini
Registered office	28 Schweizer Street Schweizer-Reneke 2780
Postal address	P O Box 05 Schweizer-Reneke 2780
Bankers	First National Bank
Auditors	Auditor General of South Africa
Legislation	Municipal Financial Management Act (MFMA) Municipal Systems Act Municipal Structures Act Division of Revenue Act (DORA)

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
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

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the 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 June 30, 2016 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 7 to 59, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2015 and were signed on its behalf by:

Accounting Officer
R R Gincane

Audit Committee Report

We are pleased to present our report for the financial year ended June 30, 2015.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference.

Name of member	Number of meetings attended
D I Mongwaketse	4
O C Jacobs	4
SAB Ngobeni	4
L Berend	4
MKG Ramorwesi	4
FJ Mudau	4

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

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Chairperson of the Audit Committee

Date: ______________________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services and operates principally in South Africa.

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

2. Going concern

We draw attention to the fact that at June 30, 2015, the municipality had accumulated surplus of R 350,609,263 and that the municipality's total assets exceed its liabilities by R 350,609,263.

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.

3. Accounting Officer's interest in contracts

The Accounting officer and all the Directors of the municipality had no business interest in contracts during the financial year.

4. Auditors

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

Statement of Financial Position as at June 30, 2015

Figures in Rand	Note(s)	2015	2014
Assets			
Current Assets			
Inventories	7	895,605	1,401,322
Receivables from exchange transactions	8&10	40,469,301	20,563,510
Receivables from non-exchange transactions	9&10	9,905,582	6,382,211
Cash and cash equivalents	11	1,130,429	3,741,931
		52,400,917	**32,088,974**
Non-Current Assets			
Investment property	3	20,740,958	20,740,958
Property, plant and equipment		366,325,251	232,944,941
Intangible assets	4	1,070,294	427,502
		388,136,503	**254,113,401**
Non-Current Assets		388,136,503	254,113,401
Current Assets		52,400,917	32,088,974
Total Assets		**440,537,420**	**286,202,375**
Liabilities			
Current Liabilities			
Finance lease obligation	12	366,646	-
Payables from exchange transactions	16	41,197,075	41,478,288
Vat Payable	17	2,371,487	2,828,925
Employee benefit obligation	5	854,744	1,601,000
Unspent conditional grants and receipts	13	6,924,099	9,635,734
Provisions	14	5,595,198	4,951,574
Other liability	15	15,580,349	15,580,349
Income received in advance		848,082	769,108
Bank overdraft	11	-	3,624,070
		73,737,680	**80,469,048**
Non-Current Liabilities			
Finance lease obligation	12	360,493	-
Employee benefit obligation	5	10,152,000	10,152,000
Provisions	14	5,677,986	10,754,387
		16,190,479	**20,906,387**
Non-Current Liabilities		16,190,479	20,906,387
Current Liabilities		73,737,680	80,469,048
Total Liabilities		**89,928,159**	**101,375,435**
Assets		440,537,420	286,202,375
Liabilities		(89,928,159)	(101,375,435)
Net Assets		**350,609,261**	**184,826,940**
Accumulated surplus		350,609,263	357,502,356

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Revenue from exchange transactions			
Service charges	20	55,704,537	47,409,521
Rental of facilities and equipment		1,017,937	380,254
Licences and permits		2,712,292	2,263,813
Other income	22	6,471,927	882,585
Interest earned	26	14,255,701	13,124,614
Total revenue from exchange transactions		**80,162,394**	**64,060,787**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	12,867,781	7,592,874
Transfer revenue			
Government grants & subsidies	21	82,112,295	53,251,332
Fines		300,610	41,754
Total revenue from non-exchange transactions		**95,280,686**	**60,885,960**
		80,162,394	64,060,787
		95,280,686	60,885,960
Total revenue		**175,443,080**	**124,946,747**
Expenditure			
Employee related costs	24	(44,288,716)	(43,468,702)
Remuneration of councillors	25	(4,110,768)	(5,022,043)
Depreciation and amortisation		(27,483,327)	(10,942,631)
Indigent subsidy		(6,849,883)	(4,857,580)
Finance costs	27	(42,804)	(289,584)
Rental equipment		(24,333)	(1,121,555)
Repairs and maintenance		(4,728,197)	(5,179,252)
Bulk purchases	29	(23,093,457)	(21,609,365)
General Expenses	23	(43,769,839)	(50,394,504)
Total expenditure		**(154,391,324)**	**(142,885,216)**
		-	-
Total revenue		175,443,080	124,946,747
Total expenditure		(154,391,324)	(142,885,216)
Operating surplus (deficit)		**21,051,756**	**(17,938,469)**
Fair value adjustments		-	2,612,363
Surplus (deficit) before taxation		21,051,756	(15,326,106)
Taxation		-	-
Surplus (deficit) for the year		**21,051,756**	**(15,326,106)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	224,342,040	224,342,040
Adjustments		
Correction of errors	148,486,422	148,486,422
Balance at July 01, 2013 as restated*	**372,828,462**	**372,828,462**
Changes in net assets		
Deficit for the year	(15,326,106)	(15,326,106)
Total changes	(15,326,106)	(15,326,106)
Opening balance as previously reported	181,071,086	181,071,086
Adjustments		
Correction of errors	148,486,422	148,486,422
Balance at July 01, 2014 as restated*	**329,557,508**	**329,557,508**
Changes in net assets		
Surplus for the year	21,051,755	21,051,755
Total changes	21,051,755	21,051,755
Balance at June 30, 2015	**350,609,263**	**350,609,263**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Property rates		8,145,899	6,760,188
Services charges		31,745,630	29,505,645
Other receipts		3,952,124	3,527,088
Interest income		169,071	232,075
Grants - Operational		47,365,261	38,573,776
Grants - Capital		26,529,000	22,496,000
		117,906,985	101,094,772
Payments			
Employee costs		(47,511,651)	(43,760,263)
Suppliers		(43,909,496)	(75,264,889)
Finance costs		(2,611,858)	(268,612)
		(94,033,005)	(119,293,764)
Total receipts		117,906,985	101,094,772
Total payments		(94,033,005)	(119,293,764)
Net cash flows from operating activities	30	**23,873,980**	**(18,198,992)**
Cash flows from investing activities			
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**24,559,337**	**(18,198,992)**
Cash and cash equivalents at the beginning of the year		1,130,429	3,741,931
Cash and cash equivalents at the end of the year	11	**25,689,766**	**(14,457,061)**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	56,749,323	(137,060)	**56,612,263**	55,704,537	**(907,726)**	
Rental of facilities and equipment	350,000	-	**350,000**	1,017,937	**667,937**	The council had understated the expected revenue.
Licences and permits	2,808,243	-	**2,808,243**	2,712,292	**(95,951)**	
Other income	912,597	654,210	**1,566,807**	-	**(1,566,807)**	Council had budgeted less than the actual revenue.
Other income - (rollup)	913,018	455,504	**1,368,522**	6,471,927	**5,103,405**	
Interest on outstanding debtors	8,643,916	-	**8,643,916**	14,086,630	**5,442,714**	
Interest received	604,136	(208,290)	**395,846**	169,071	**(226,775)**	Interest was underbudgeted by 57%
Total revenue from exchange transactions	**70,981,233**	**764,364**	**71,745,597**	**80,162,394**	**8,416,797**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	9,500,164	(103,159)	**9,397,005**	12,867,781	**3,470,776**	36% more than the projected billing.
Transfer revenue						
Government grants & subsidies	55,360,200	10,500,000	**65,860,200**	82,112,295	**16,252,095**	8%
Fines	824,288	-	**824,288**	300,610	**(523,678)**	93%. Council to review the set target in the current financial year 2015/16
Total revenue from non-exchange transactions	**65,684,652**	**10,396,841**	**76,081,493**	**95,280,686**	**19,199,193**	
'Total revenue from exchange transactions'	70,981,233	764,364	**71,745,597**	80,162,394	**8,416,797**	
'Total revenue from non-exchange transactions'	65,684,652	10,396,841	**76,081,493**	95,280,686	**19,199,193**	
Total revenue	**136,665,885**	**11,161,205**	**147,827,090**	**175,443,080**	**27,615,990**	
Expenditure						
Personnel	(57,146,686)	10,580,286	**(46,566,400)**	(42,975,369)	**3,591,031**	7%
Remuneration of councillors	(4,515,082)	(345,991)	**(4,861,073)**	(4,110,768)	**750,305**	15% below budget.
Depreciation and amortisation	(900,000)	(9,625,357)	**(10,525,357)**	(27,483,327)	**(16,957,970)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Impairment	(24,243,854)	-	**(24,243,854)**	(15,829,383)	**8,414,471**	34% below the budget.
Finance costs	(463,000)	(693,822)	**(1,156,822)**	(73,387)	**1,083,435**	94% below the budget.
Repairs and maintenance	(7,400,000)	(2,051,043)	**(9,451,043)**	(4,663,986)	**4,787,057**	51% understpending due to chemical expenditure, which was previously classified as RME
Bulk purchases	(26,203,392)	-	**(26,203,392)**	(23,093,457)	**3,109,935**	12% below the budget
General Expenses	(25,023,156)	(117,989)	**(25,141,145)**	(43,744,280)	**(18,603,135)**	74% above the budget
Total expenditure	**(145,895,170)**	**(2,253,916)**	**(148,149,086)**	**(161,973,957)**	**(13,824,871)**	
	(9,229,285)	8,907,289	**(321,996)**	13,469,123	**13,791,119**	
	-	-	**-**	-	**-**	
Surplus before taxation	**(9,229,285)**	**8,907,289**	**(321,996)**	**13,469,123**	**13,791,119**	
Deficit before taxation	(9,229,285)	8,907,289	**(321,996)**	13,469,123	**13,791,119**	
Taxation	-	-	**-**	-	**-**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(9,229,285)**	**8,907,289**	**(321,996)**	**13,469,123**	**13,791,119**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	12,000,000	**12,000,000**	895,605	**(11,104,395)**	109% due to land held for resale that was reclassifed to Investment property.
Receivables from exchange transactions	-	1,600,000	**1,600,000**	773,508	**(826,492)**	52% overstated, to be adjusted by the budget adjustment in the current financial year 2015/16
Receivables from non-exchange transactions	-	-	**-**	9,905,583	**9,905,583**	Not provided for
Consumer debtors	40,000,000	105,563,000	**145,563,000**	154,187,961	**8,624,961**	Exceeded budget by 6%
Cash and cash equivalents	3,420,000	6,000	**3,426,000**	1,130,429	**(2,295,571)**	67% overstatement of projection at year end
	43,420,000	**119,169,000**	**162,589,000**	**166,893,086**	**4,304,086**	
Non-Current Assets						
Investment property	-	15,674,000	**15,674,000**	20,740,958	**5,066,958**	32% under budgeting due to investment property register not in existance.
Property, plant and equipment	137,517,000	133,752,000	**271,269,000**	366,325,251	**95,056,251**	45% this was due to council not having a complete asset register hence the under estimation or projection
Intangible assets	999,393	-	**999,393**	1,070,294	**70,901**	7% above budget.
	138,516,393	**149,426,000**	**287,942,393**	**388,136,503**	**100,194,110**	
Non-Current Assets	43,420,000	119,169,000	**162,589,000**	166,893,086	**4,304,086**	
Current Assets	138,516,393	149,426,000	**287,942,393**	388,136,503	**100,194,110**	
Total Assets	**181,936,393**	**268,595,000**	**450,531,393**	**555,029,589**	**104,498,196**	

Liabilities

Current Liabilities

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Finance lease obligation	-	-	**-**	366,646	**366,646**	
Payables from exchange transactions	12,000,000	18,000,000	**30,000,000**	41,197,077	**11,197,077**	37% of creditors were under budgeted for in 2014/15
Taxes and transfers payable (non-exchange)	-	-	**-**	2,371,487	**2,371,487**	
Employee benefit obligation	-	-	**-**	854,744	**854,744**	
Unspent conditional grants and receipts	1,200,000	420,000	**1,620,000**	6,924,099	**5,304,099**	Council did not acheive the set figure of unspent grants.
Provisions	-	-	**-**	5,595,198	**5,595,198**	
Other liability	-	-	**-**	15,580,349	**15,580,349**	
Income received in advance	791,000	-	**791,000**	848,082	**57,082**	Exceeded the budget by 7%
Bank overdraft	1,600,000	1,600,000	**3,200,000**	-	**(3,200,000)**	
	15,591,000	**20,020,000**	**35,611,000**	**73,737,682**	**38,126,682**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	360,493	**360,493**	
Employee benefit obligation	-	-	**-**	10,152,000	**10,152,000**	
Provisions	13,945,000	1,179,387	**15,124,387**	5,677,986	**(9,446,401)**	From the total budgeted provision, it is exceeded by 6%
	13,945,000	**1,179,387**	**15,124,387**	**16,190,479**	**1,066,092**	
	15,591,000	20,020,000	**35,611,000**	73,737,682	**38,126,682**	
	13,945,000	1,179,387	**15,124,387**	16,190,479	**1,066,092**	
	-	-	**-**	-	**-**	
Total Liabilities	**29,536,000**	**21,199,387**	**50,735,387**	**89,928,161**	**39,192,774**	
Assets	181,936,393	268,595,000	**450,531,393**	555,029,589	**104,498,196**	
Liabilities	(29,536,000)	(21,199,387)	**(50,735,387)**	(89,928,161)	**(39,192,774)**	
Net Assets	**152,400,393**	**247,395,613**	**399,796,006**	**465,101,428**	**65,305,422**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	143,240,393	247,395,613	**390,636,006**	375,574,047	**(15,061,959)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Service charges	46,900,761	(8,498,761)	**38,402,000**	36,871,504	**(1,530,496)**	
Interest income	604,136	(208,290)	**395,846**	169,071	**(226,775)**	57% below the budget
Other receipts	-	-	**-**	34,546,412	**34,546,412**	
Grants - Operating	55,360,200	10,500,000	**65,860,200**	47,365,261	**(18,494,939)**	28% below budget due to witholding of Equitable Share
Grants - Capital	14,991,000	-	**14,991,000**	26,529,000	**11,538,000**	76% above budget due to additional MIG received.
	117,856,097	**1,792,949**	**119,649,046**	**145,481,248**	**25,832,202**	
Payments						
Employee costs	(61,661,768)	10,234,295	**(51,427,473)**	(50,622,777)	**804,696**	
Suppliers	(58,626,548)	(2,169,032)	**(60,795,580)**	(84,924,776)	**(24,129,196)**	40% below the budget. The municipality was only able to pay 60% of the approved budget on general expenditure.
Finance costs	(463,000)	(693,822)	**(1,156,822)**	(73,387)	**1,083,435**	94% below the budget.
	(120,751,316)	**7,371,441**	**(113,379,875)**	**(135,620,940)**	**(22,241,065)**	
Total receipts	117,856,097	1,792,949	**119,649,046**	145,481,248	**25,832,202**	
Total payments	(120,751,316)	7,371,441	**(113,379,875)**	(135,620,940)	**(22,241,065)**	
Net cash flows from operating activities	**(2,895,219)**	**9,164,390**	**6,269,171**	**9,860,308**	**3,591,137**	
Net increase/(decrease) in cash and cash equivalents	19,274,781	10,808,390	**30,083,171**	9,860,308	**(20,222,863)**	
Cash and cash equivalents at the end of the year	**19,274,781**	**10,808,390**	**30,083,171**	**9,860,308**	**(20,222,863)**	
Reconciliation						

Accounting Policies

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:

Trade receivables

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipmentimate based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

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

Allowance for doubtful debts

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

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Fair value

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

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

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment whenever it is possible to reliably differentiate between the different components.

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 except for Investment Property 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.

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

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

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

Item	Average useful life
Land	Infinite
Plant and machinery	6 years

Accounting Policies

1.5 Property, plant and equipment (continued)

Infrastructure

• Roads and storm water	5-8 years
• Pedestrian malls	10-100 years
• Electricity	5-80 years
• Water	10-100 years
• Sewer	15-100 years
• Housing	80 years
• Solid water	100 year
• Servitudes	Indefinite
• Rail assets	20-100 years
• ICT	1-120 years

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

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

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

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

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

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

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

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Useful life
Computer software, other	10 years

Accounting Policies

1.8 Financial instruments

Classification

The municipality classifies financial assets into the following categories:

Class	Category
Investments	Financial assets measured at amortised cost
Consumer debtors	Financial assets measured at amortised cost
Receivables from exchange transaction	Financial assets measured at amortised cost
Receivables from non-exchange transactions	Financial assets measured at amortised cost
Cash and cash equivalents	Financial assets measured at amortised cost
Inventory	Financial assets measured at amortised cost

The municipality classifies financial assets into the following categories:

Class	Category
Consumer deposits	Financial liability measured at amortised cost
Trade payables from exchange transactions	Financial liability measured at amortised cost
Unspend conditional grants and receipts	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

Initial recognition and measurement

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Regular way purchases of financial assets are accounted for at trade date.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Accounting Policies

1.8 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.9 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 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.

1.10 Inventories (continued)

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 first-in, first-out (FIFO) 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.

1.11 Impairment of cash-generating assets

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

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.

Identification

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

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

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

Value in use

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

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

1.11 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

1.12 Impairment of non-cash-generating assets

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Accounting Policies

1.14 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 surplus.

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.

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 32.

Accounting Policies

1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

1.16 Revenue from exchange transactions (continued)

Interest

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

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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

Measurement

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

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.18 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.

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

1.20 Unauthorised expenditure (continued)

- 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.

1.21 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.

1.22 Irregular expenditure

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

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

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

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

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

1.23 Budget information

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

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

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.

1.24 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.

1.24 Related parties (continued)

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

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

1.25 Events after reporting date

Events after reporting date that are classified as adjusting events have been accounted for in the financial statements

Events after reporting date are classified as non-adjusting events have been disclosed for in the notes to the financial statements.

1.26 Accumulated surplus

The municipality's surplus or deficit for the year is accounted for in the accumulated surplus reserve in the statement of changes in net assets.

1.27 Value-Added Tax

The municipality applies the payment basis for VAT purpose as per Value-Added Tax Act. Output tax is payable as and when the purchase consideration are received and input will be claimed as and when payment is made.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	April 01, 2015	The impact of the amendment is not material
• GRAP 20: Related parties	April 01, 2016	The impact of the amendment is not material
• GRAP32: Service Concession Arrangements: Grantor	April 01, 2016	The impact of the amendment is not material
• GRAP108: Statutory Receivables	April 01, 2016	The impact of the amendment is not material
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	April 01, 2016	The impact of the amendment is not material
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	April 01, 2016	The impact of the amendment is not material

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2015 or later periods but are not relevant to its operations:

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

3. Investment property

	2015			2014		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	20,740,958	-	20,740,958	20,740,958	-	20,740,958

Reconciliation of investment property - 2015

	Opening balance	**Total**
Investment property	20,740,958	20,740,958

Reconciliation of investment property - 2014

	Opening balance	**Fair value adjustments**	**Total**
Investment property	18,945,738	1,795,220	20,740,958

4. Intangible assets

	2015			2014		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, internally generated	1,696,397	(626,103)	1,070,294	1,231,687	(804,185)	427,502

5. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an infunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr Neil Fourie, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

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

Opening balance	11,753,000	8,650,644
Contributions by plan participants	-	3,102,356
	11,753,000	**11,753,000**

5. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2015	2014
Discount rate used	7.96 %	8.94 %
Health care cost inflation rate	6.33 %	8.05 %
Net effective discount rate	59.00 %	0.25 %
Normal Salary Increase Rate	7.33 %	- %

6. Multi-Employer Retirement Benefit Information

All councillors belong to the Pension Fund for Municipal Councillors

Employees belong to a variety of approved Pension and Provident Funds as descibed below.

These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided blow.

The Municipal Councillors Fund and the Municipal Gratuity Fund are defined contrubution plans. All of these afore-mentioned funds are multi-employer plans. Sufficient information is not available to defined benefit accounting for the pension and retiement unds, due to the following reasons:-

(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

Municipal Councillors Pension Fund:
The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and Council (15.00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Joint Pension Fund:
Municipal Joint Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (22.00%) is sufficient to fund the benefits accruing from the fund in the future.

National Fund for Municipal Workers - Pension Fund:
National Fund for Municipal Workers operates as defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (22.00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund:
The Municipal Employees Pension Fund operates as defined contribution scheme. The contribution rate paid by the members (7.5%) and Council (22.00%) is sufficient to fund the benefits accruing from the fund in the future.

7. Inventories

	2015	2014
Maintenance Materials	601,473	691,243
Fuel (Petrol and Diesel)	-	27,722
Prepaid electricity	294,132	682,357
	895,605	**1,401,322**

Inventory recognised as an expense for the current year R89 769.88

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

8. Receivables from exchange transactions

Prepaid expenses	-	117,149
Sundry debtors	60,791	112,010
Pensioners control account	16,712	121,203
Other debtors	97,597	668,525
Salary deduction control	598,407	923,649
Consumer debtors - Electricity	8,549,055	6,535,563
Consumer debtors - Water	25,977,365	21,707,207
Consumer debtors - Sewerage	29,695,578	35,099,282
Consumer debtors - Refuse	19,694,944	17,594,113
Consumer debtors - Debtors interest	54,125,891	45,146,101
Other consumer debtors	16,145,128	4,630,647
Debt impairment	(114,492,167)	(112,091,939)
	40,469,301	**20,563,510**

Trade and other receivables pledged as security

No Trade and other receivable were pledged as security by the municpality.

9. Receivables from non-exchange transactions

Traffic debtor	94,519	-
Government grants and subsidies	-	750,000
Property rates	9,811,063	5,632,211
	9,905,582	**6,382,211**

10. Consumer debtors

Gross balances		
Electricity	8,549,055	6,535,563
Water	25,977,365	21,707,207
Sewerage	29,695,578	35,099,282
Refuse	19,694,944	17,594,113
Debtors interest	54,125,891	45,146,101
Other Consumer debtors	16,145,128	4,630,647
	154,187,961	**130,712,913**

Less: Allowance for impairment		
Rates	(6,849,369)	(4,630,024)
Electricity	(5,968,327)	(5,372,635)
Water	(18,135,503)	(17,844,659)
Sewerage	(20,731,288)	(28,853,768)
Refuse	(13,749,575)	(14,463,443)
Debtors interest	(37,786,753)	(37,112,871)
Other consumer debtors	(11,271,352)	(3,814,539)
	(114,492,167)	**(112,091,939)**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

10. Consumer debtors (continued)

Net balance		
Electricity	1,699,686	1,162,928
Water	2,580,728	3,862,548
Sewerage	8,964,290	6,245,514
Refuse	5,945,369	3,130,670
Debtors interest	16,339,138	8,033,230
Other consumer debtors	4,873,776	816,108
	40,402,987	**23,250,998**

Rates		
31 - 60 days	796,257	462,876
61 - 90 days	2,246,947	234,021
91 - 120 days	251,936	124,262
121 - 150 days	225,282	105,865
> 150 days	6,290,641	4,706,742
	9,811,063	**5,633,766**

Electricity		
31 - 60 days	1,706,942	1,632,605
61 - 90 days	688,074	615,156
91 - 120 days	383,268	423,033
121 - 150 days	588,909	347,542
>151 days	5,100,259	3,993,879
	8,467,452	**7,012,215**

Water		
31 - 60 days	1,045,227	756,668
61 - 90 days	736,951	415,269
91 - 120 days	736,951	472,812
121 - 150 days	640,166	536,789
> 151 days	22,886,186	19,525,957
	26,045,481	**21,707,495**

Sewerage		
31 - 60 days	841,991	784,692
61 - 90 days	1,059,383	676,654
91 - 120 days	867,320	655,168
121 - 150 days	696,919	630,198
>151 days	26,229,964	22,523,738
	29,695,577	**25,270,450**

Refuse		
31 - 60 days	533,445	452,536
61 - 90 days	484,765	412,642
91 - 120 days	451,273	396,825
121 - 150 days	415,717	383,020
> 151 days	17,809,744	15,949,090
	19,694,944	**17,594,113**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

10. Consumer debtors (continued)

Debtors interest		
31 - 60 days	1,256,620	1,064,370
61 - 90 days	1,327,498	1,097,558
91 - 120 days	1,300,029	1,088,539
121 - 150 days	1,204,575	1,095,266
>151 days	49,037,169	40,800,441
	54,125,891	**45,146,174**

Sundries		
31 - 60 days	681,486	16,760
61 - 90 days	16,954	12,191
91 - 120 days	13,759	11,646
121 - 150 days	13,530	11,084
> 151 days	3,000,268	3,073,744
	3,725,997	**3,125,425**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	17	4,578
Bank balances	1,082,169	-
FNB Investment accounts	48,243	3,737,353
Bank overdraft	-	(3,624,070)
	1,130,429	**117,861**

Current assets	1,130,429	3,741,931
Current liabilities	-	(3,624,070)
	1,130,429	**117,861**

The management of the municipality is of the opinion that the carrying value of Cash and Cash equivalents recorded at amortised costs costs in the Annual Financial Statements approximate their fair values.

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	June 30, 2015	**June 30, 2014**	**June 30, 2013**	**June 30, 2015**	**June 30, 2014**	**June 30, 2013**
FNB Demand Deposit (MIG) 62245772050	19,067	488,987	2,100,995	12,080,786	12,080,786	12,080,786
FNB Demand Deposit (Human Settlement) 62033415771	9,173	9,803	207,151	3,557,584	3,557,584	3,557,584
FNB BANK - Demand Deposit (Library) - 62299708506	20,000	3,238,560	3,801,419	627,549	627,549	627,549
FNB - Current Account - 53630018381	230,648	3,878,077	4,013,948	340,644	3,618,179	4,203,025
Total	**278,888**	**7,615,427**	**10,123,513**	**16,606,563**	**19,884,098**	**20,468,944**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

12. Finance lease obligation

Minimum lease payments due		
- within one year	322,330	397,228
- in second to fifth year inclusive	51,299	373,628
	373,629	770,856
less: future finance charges	(13,136)	(43,718)
Present value of minimum lease payments	**360,493**	**727,138**

Present value of minimum lease payments due		
- within one year	310,335	366,645
- in second to fifth year inclusive	50,157	360,493
	360,492	**727,138**

Non-current liabilities	360,493	-
Current liabilities	366,646	-
	727,139	**-**

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure grant	3,592,091	3,749,770
District municipality grant	-	430,219
LG SETA Grant	-	58,776
Library	3,254,041	5,000,000
Boineelo	77,967	396,969
	6,924,099	**9,635,734**

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

14. Provisions

Reconciliation of provisions - 2015

	Opening Balance	Additions	Total
Provision for Landfill site	9,034,387	(5,076,401)	3,957,986
Provision for long service award	1,720,000	-	1,720,000
Leave provision	4,951,574	440,654	5,392,228
Other provisions	-	202,970	202,970
	15,705,961	**(4,432,777)**	**11,273,184**

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Provision for landfill site	8,847,066	187,321	9,034,387
Provision long service award	1,595,091	124,909	1,720,000
Leave provision	4,477,261	474,313	4,951,574
	14,919,418	**786,543**	**15,705,961**

	2015	2014
Non-current liabilities	5,677,986	10,754,387
Current liabilities	5,595,198	4,951,574
	11,273,184	**15,705,961**

Environmental rehabilitation provision

In terms of the licencing of the landfill refuse site, the municipality will incur licensing and rehabilitation costs of R30 997 to restore the site at the end of its useful life. Provision has been made for the net present value of this cost, using the the rate associated with the maximum period of 10 years i.e. 2.25% above CPI.

Long Service Award

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable to employees after 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 30 June 2015 by Mr Niel Fourie, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

15. Other liability

The Department of Human Settlement indicated to the Municipality in 2014 that the Municipality is indebted to the Department the amount of R15 580 349 for a project of 2006 in Mareezing farm.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

16. Payables from exchange transactions

Trade payables	36,499,156	23,225,562
Stand deposits	375,156	227,632
Other payables	31,564	527
Accrued expenses	-	75,000
Salaries control account	-	1,825
Revenue take on suspense	-	212,889
Cash control	-	10,150,389
Community hall deposits	51,664	46,213
Accrued bonuses	872,692	1,611,301
Private telephone accounts	29,234	186,716
Salary deduction control	969,965	2,511,690
Debtors with credit balances	-	883,597
Retentions	1,184,189	1,509,351
Accruals	1,183,455	835,596
	41,197,075	**41,478,288**

17. VAT Payable

Vat payable	2,371,487	2,828,925

18. Financial instruments disclosure

Categories of financial instruments

2015

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	40,468,865	40,468,865
Other receivables from non-exchange transactions	-	9,811,063	9,811,063
Cash and cash equivalents	1,215,437	-	1,215,437
	1,215,437	**50,279,928**	**51,495,365**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	38,021,868	38,021,868

2014

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	1,717,245	1,717,245
Other receivables from non-exchange transactions	-	6,382,211	6,382,211
Cash and cash equivalents	3,741,931	-	3,741,931
	3,741,931	**8,099,456**	**11,841,387**

Financial liabilities

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

. Financial instruments disclosure (continued)

	At amortised cost	Total
Trade and other payables from exchange transactions	41,296,455	41,296,455

19. Property rates

Rates received

	2015	2014
Agricultural	2,390,382	475,483
Business	4,513,429	2,983,730
Government property	1,635,812	1,654,687
Industrial	325	-
Residential	4,327,833	2,475,162
Expempt from assessment	-	3,809
	12,867,781	**7,592,871**

20. Service charges

	2015	2014
Sale of electricity	28,042,070	24,124,234
Sale of water	11,443,188	8,488,837
Sewerage and sanitation charges	10,142,614	9,213,514
Refuse removal	6,076,665	5,582,937
	55,704,537	**47,409,522**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

21. Government grants and subsidies

Operating grants		
Equitable share	53,454,000	33,675,000
Department of Sports and agriculture	2,965,959	-
Financial Management Grant	1,800,000	1,650,000
EPWP	1,386,000	2,500,000
Municipal Systems Improvement Grant	934,000	890,000
District Municipality Grant	430,219	169,782
LG Seta Grant	90,037	27,687
Library Grant	550,000	550,000
Boineelo	319,400	342,633
	61,929,615	39,805,102
Capital grants		
Capital grants	20,182,679	13,446,230
	20,182,679	13,446,230
	82,112,294	**53,251,332**

Equitable Share

This grant is an unconditional grant and it is partially utilised for the provision of indigent support through basic services.

All registered indigents receive a rebate of 100% on assesment rates and are subsidised for other services. This grant is made up of allocations from National Treasury and Dr Ruth Segomotsi Mompati District Municipality for water and sanitation subsidy to indigents.

Municipal Infrastructure Grant

Balance unspent at beginning of year	3,749,770	-
Current-year receipts	25,316,999	22,496,000
Conditions met - transferred to revenue	(20,182,679)	(13,446,230)
Amount withheld	(5,292,000)	(5,300,000)
	3,592,090	**3,749,770**

Conditions still to be met - remain liabilities (see note 13)
This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of poor house holds.

Boineelo

Balance unspent at beginning of year	396,968	515,311
Conditions met - transferred to revenue	(319,400)	(118,343)
	77,568	**396,968**

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

Provide explanations of conditions still to be met and other relevant information.

District Municipal Grants

Balance unspent at beginning of year	430,219	600,000
Conditions met - transferred to revenue	(430,219)	(169,781)
	-	**430,219**

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

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

21. Government grants and subsidies (continued)

This grant is the EPWP grant received from Dr Ruth Segomotsi Mompati District Municipality to contribute to the employment creation efforts of the expanded public works program.

LG SETA Grant

Balance unspent at beginning of year	58,776	-
Current-year receipts	31,261	58,776
Conditions met - transferred to revenue	(90,037)	-
	-	**58,776**

Conditions still to be met - remain liabilities (see note 13)
This grant is for skills development in the municipal area.

Library Grant

Balance unspent at beginning of year	5,000,000	-
Current-year receipts	1,220,000	5,000,000
Conditions met - transferred to revenue	(2,965,959)	-
	3,254,041	**5,000,000**

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

Expanded Public Works Programs

Current-year receipts	1,507,000	1,750,000
Conditions met - transferred to revenue	(1,507,000)	(1,750,000)
	-	**-**

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

Financial Management Grant

Current-year receipts	1,800,000	1,650,000
Conditions met - transferred to revenue	(1,800,000)	(1,650,000)
	-	**-**

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

Municipal Systems Improvement Grant

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

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

Provide explanations of conditions still to be met and other relevant information.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

22. Other income

Bid documents	78,534	53,494
Camping & fishing	10,175	-
Cemetry fees	283,427	240,339
Commission auctions	128,204	75,756
Connection fees	1,876	2,536
Discount received	412	17,391
Electricity fines	18,437	15,263
Enterence fees	229,793	-
Insurance income	271,525	301,729
Plan fees	30,367	52,843
Private works	42,517	49,783
Reconnection fees	80,136	66,430
Sundry income	5,272,072	877
Sale of Erf	21,930	-
Valuation and clearance certificates	2,523	5,584
Other income 16	-	560
	6,471,928	**882,585**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

23. General expenses

Advertising	192,362	259,725
Accomodation	65,226	-
Auditors remuneration	2,271,631	1,895,374
Assets expensed	3,098	167
Bad debts written off	9,330,869	-
Bank charges	366,641	234,145
Billing charges	151,109	115,595
Chemicals	2,663,652	-
Consulting and professional fees	534,594	886,216
Community hall refund	-	4,648
Community development and training	243,187	87,745
Conferences and seminars	82,403	148,923
Consumables	259,316	101,952
Donations	494,137	231,046
Electricity	2,654,359	2,087,351
Entertainment	-	3,750
Fuel and oil	1,146,174	945,721
Fines and penalties	2,452,869	1,206,620
Insurance	1,831,099	1,828,676
IT expenses	191,287	187,321
Magazines, books and periodicals	96,833	45,202
Other expenses	4,576,591	8,593,851
Provision for bad debts	2,400,228	23,706,492
Postage and courier	562,040	260,420
Printing and stationery	688,408	372,208
Protective clothing	30,316	232,950
Licenses	228,461	14,181
Refreshments and meals	248,040	59,981
Security (Guarding of municipal property)	2,217,205	1,409,612
Software expenses	1,121,388	910,498
Subscriptions and membership fees	679,230	500,000
Telephone and fax	1,545,071	633,855
Training	338,108	303,875
Travel - local	3,140,724	2,898,456
Projects	949,582	58,574
Pauper burials	-	22,500
Venue expenses	13,600	146,875
	43,769,838	**50,394,505**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

24. Employee related costs

Basic	23,872,734	20,991,587
Bonus	2,353,228	2,443,044
Medical aid - company contributions	2,965,185	2,797,251
UIF	290,453	258,593
SDL	389,632	337,020
Leave pay provision charge	479,566	578,408
Other short term costs	-	3,275,383
Other allowances	945,522	810,902
Defined contribution plans	3,732,209	3,482,216
Travel, motor car, accommodation, subsistence and other allowances	3,352,934	2,511,397
Overtime payments	4,098,351	3,595,980
Long-service awards	115,629	303,172
Acting allowances	447,151	510,202
Housing benefits and allowances	910,061	1,225,497
Group insurance	245,901	238,993
Bargaining council	15,363	14,223
Less: Employee costs capitalised to PPE	(10,904)	-
	44,203,015	**43,373,868**

Remuneration of the Municipal Manager

Annual Remuneration	781,233	810,412
Car Allowance	249,411	123,362
Contributions to UIF, Medical and Pension Funds	1,785	1,785
	1,032,429	**935,559**

Remuneration of Chief Finance Officer

Annual Remuneration	639,714	648,734
Car Allowance	205,836	108,000
Contributions to UIF, Medical and Pension Funds	10,981	11,051
	856,531	**767,785**

Remuneration of Corporate and Technical Services Director

Annual Remuneration	1,250,602	693,811
Car Allowance	411,673	360,000
Contributions to UIF, Medical and Pension Funds	24,380	23,732
	1,686,655	**1,077,543**

Acting Community Services Director

Annual Remuneration	409,435	398,044
Car Allowance	114,147	93,380
Contributions to UIF, Medical and Pension Funds	36,068	33,452
	559,650	**524,876**

25. Remuneration of councillors

Mayor	611,492	396,698
Councillors	3,083,171	2,760,634
Contributions to UIF,Medical and Pension Fund	257,390	258,280
	3,952,053	**3,415,612**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

26. Interest earned

Interest revenue		
Bank	169,071	232,075
Interest charged on trade and other receivables	14,086,630	12,892,540
	14,255,701	**13,124,615**
	-	-
	14,255,701	13,124,615

27. Finance costs

Finance leases	41,782	20,972
Bank	1,023	261,240
Other interest paid	-	7,371
	42,805	**289,583**

28. Auditors' remuneration

Fees	2,271,631	1,895,374

29. Bulk purchases

Electricity	23,041,568	21,571,298
Water	51,889	38,067
	23,093,457	**21,609,365**

30. Cash generated from (used in) operations

Surplus (deficit)	21,051,755	(15,326,106)
Adjustments for:		
Depreciation and amortisation	27,483,327	10,942,631
Fair value adjustments	-	(2,612,363)
Finance costs - Finance leases	41,782	20,972
Impairment deficit	6,849,883	4,857,580
Movements in retirement benefit assets and liabilities	(746,256)	3,102,356
Movements in provisions	(4,432,777)	3,888,899
Changes in working capital:		
Inventories	505,717	(1,401,322)
Receivables from exchange transactions	(19,905,794)	(162,869)
Consumer debtors	-	(32,381,329)
Other receivables from non-exchange transactions	(3,523,372)	835,064
Payables from exchange transactions	(281,211)	(1,244,041)
Taxes and transfers payable (non exchange)	(457,439)	2,321,750
Unspent conditional grants and receipts	(2,711,635)	8,959,786
	23,873,980	**(18,198,992)**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

31. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	10,689,957	9,429,104
• Other	3,382,631	3,229,482
	14,072,588	**12,658,586**

Total capital commitments		
Already contracted for but not provided for	14,072,588	12,658,586

32. Contingencies

Contingent Liabilities

Contingent liabilities for the 2014/15 financial year come to R790 000 between the Municipality and Lateral Unison Insurance Brokers for damages suffered by Lateral Unison insurance Brokers due to the cancellation of the contract by the Municipality before the contract expired.

33. Related parties

Relationships
The Following Councilors, Directors and Employees are related parties

Mr S Strydom	De Kock and Duffy Attoneys
District Municipality	Audit Committee, Internal Audit and Risk Management

Key management information

Refer to disclosure of Directors Remuneration	Note 21

34. Prior period errors

The following prior period error corrections were done for the 2012/13 financial year:

Investment property
The opening balance of Investment property was understated in the prior year by R3 271 457. The correcting entry resulted in an increase of investment property and Accumulated surplus by R3 271 457.

The following prior period error corrections were done for the 2013/14 financial year:

Investment property
Fair value adjustment on Investment property has increased from R817 143 to R1 795 220 and Investment property increased by the same amount in 2013/14.

Figures in Rand	2015	2014

34. Prior period errors (continued)

Bonus accrual
Bonus accrual was overstated in the prior year due to accrual of non-vested period. The correcting entry resulted in a decrease of bonus accrual under payables and an increase in employee cost by

Other Debtors
Other debtors increased with an amount of R260 942 due to the recognition of all expenditure for the Boineelo grant that we had received. An amount of R419 was written off to accumulated surplus as a prior year error.

Municipal Account
The Municipal account was used to record expenditure that belonged to the Boineelo NGO which had a net effect of -R35 011 which decreased the Municipal account and Increase in the revenue from grants.

Cash and cash equivalents
Decrease in cash and cash equivalents was caused by a prior year correction as the Petty cash was erroniously overstated.

Other Debtors
An amount of R86 749.14 was wrongly classified as as other debtors when it was actually expenditure of the Boineelo Grant, this was corrected in 2014/15

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

Statement of financial position		
Increase in Accumulated Surplus - Investment property	-	(3,271,457)
Increase in Investment property opening balance	-	3,271,457
Increase in Investment property	-	1,795,220
Increase in Salary deduction control	-	35,011
Increase in other debtors	-	260,943
Decrease in Cash and cash equivalents	-	(850)
Decrease in Other debtors	-	412
Municipal Account	-	(30,619)
Decrease in inventory	-	(14,962,883)
Accumulated surplus	-	14,962,883
Decrease in Other debtors	-	(86,749)
Statement of Financial Performance		
Increase in fair value adjustment	-	(1,795,220)
Increase in Government grants and subsidies	-	342,633
Increase in Equitable share	-	(206,000)

35. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

35. Comparative figures (continued)

Statement of financial position		
Provisions	-	11,753,000
Employee benefit obligation	-	(11,753,000)
Trade debtors	-	(81,995)
Consumer debtors	-	81,995
Consumer debtors	-	(5,632,211)
Receivables from non exchange	-	5,632,211
Trade Payables	-	15,580,349
Other liabilities	-	(15,580,349)
Salary control	-	274,682
Income received in advance	-	(274,682)
Accumulated Surplus	-	342,633
Consumer debtors	-	(9,564)
Community hall deposits	-	(9,564)
Consumer Debtors - Rates	-	(5,632,211)
Receivables from non-exchnge transactions	-	5,632,211
Consumer debtors	-	(130,722,477)
Receivables from exchange transaction	-	130,722,477
Salary deduction control - Payables	-	26,564
Salary deduction control - Receivables	-	(26,564)
Pension control - Payables	-	(63,217)
Salary deduction control	-	63,217
Suspense account	-	(86,800)
Other receivables	-	86,800
Travel & Subsistance control - Receivables	-	(347,011)
Salary deduction control	-	347,011
Debtors suspense account	-	692
Salary deduction control	-	(692)
Salary deduction control	-	(40,273)
Salary deduction control	-	(324,097)
Salary deduction control - Travel & Subsistence	-	324,097
Property, plant and equipment	-	(2,364,713)
Payables fom exchange - Trade debtors	-	3,228,517
Payables from exchange	-	(3,228,517)
Statement of Financial Performance		
Government grants and subsidies	-	(342,633)
Commission received	-	(128,204)
Other income	-	128,204
Repairs and Maintenance	-	(2,364,713)

Figures in Rand	2015	2014

35. Comparative figures (continued)

Employee Benefit Obligation
Employee benefit obligation was previously disclosed under Provisions, we have therefore disclosed it separately in the face of the Statement of Financial Position. The effect is that provisions reduced by R11 753 000 and Employee benefit obligation increased by the same amount.

Government Grants and Subsidies
The R342 633 was expenditure incurred on an NGO grant, the was journalised to accumulated surplus and is now recorded in the correct financial year, i.e. 2013/14. There was an over expenditure on the EPWP grant of R121 000 and FMG had an over expenditure of R85 000 and it has been correctly allocated to its related expenditure in 2013/14, Equitable share witheld on MIG was R5300 000, R85 000 from FMG and R121 000 for EPWP has been correctly allocated to Unspent conditional grant MIG, FMG and EPWP in 2013/14.

Salary deduction control
Salary deduction control - Payables was reclassified to Salary deduction control - Receivables

Suspense Account
The Suspense account was recalssified to Other receivables.

Travel & Subsistance control
Travel & Subsitance control was reclassified to Salary deduction control account.

Trade Debtors
Consumer agreements have been classified as Consumer debtors.

Consumer Debtors - Rates
Consumer Debtors - Rates has been moved from consumer debtors to Receivbles from non-exchange transactions .

Trade Payables
Trade payables have been reclassified, an amount of R15 580 349 is now disclosed separately under Other liabilities.

Salary Control Account
The salary control included stand deposits in the previous financial year, these have been reclassified under Income in advance.

Consumer debtors
Consumer debtors included Community hall deposits in the last financial year, these have been reclassified to Community hall deposits under Payables from exchange.

Consumer debtors
were reclassified to Receivables from exchange transactions.

Commission received
Commission received was reclassified to Other income

Debtors suspense - Payables
Debtors suspense was reclassified to Salary deduction control .

Salary deduction control
Pension control has been reclassified to Salary deduction control - receivable from payable

Salary deduction control
Travel and subsistence control has been reclassified under Salary control Payables from receivable amounting to R13 207.49

Repairs and Maintenance + PPE
There were repair and maintanence items that actually belonged to the PPE in the 2013/14 financial year, these have been reclassified and the come to cost of R2 364 712.74

Figures in Rand	2015	2014

35. Comparative figures (continued)

36. Risk management

Financial risk management

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

37. Unauthorised expenditure

Opening balance	74,976,774	74,976,774
Current year - Unauthorised expenditure	5,693,305	-
Closing balance - awaiting condonement	**80,670,079**	**74,976,774**

This is due to actual expenditure exceeding the approved budget and this is to be presented to the council in the 2015/16 financial year.

38. Fruitless and wasteful expenditure

Opening Balance	2,314,555	943,730
Current year - Fruitless and wasteful expenditure	2,342,551	1,370,825
Closing balance - awaiting condonement	**4,657,106**	**2,314,555**

These are Penalties and interest that arose due to late payment to service providers.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

39. Irregular expenditure

Opening balance	49,296,122	21,949,152
Add: Irregular Expenditure - current year	2,162,172	27,346,970
Closing balance - awaiting condonement	**51,458,294**	**49,296,122**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
None compliance with 3 quote system	MPAC still investigating	1,025,627
Extention of expired contracts	MPAC still investigating	1,136,545
		2,162,172

40. In-kind donations and assistance

Dr Ruth Segomotsi Mompati Municipality provides internal audit, risk management and audit committee assistance to the municipality
Provincial Treasury appointed a consultancy firm, JBFE to implement GRAP 17 in totality.
Community Works Programme employees assisted the municipality with cleaning of parks.
The Provincial Treasury support on the Annual Financial Statements.

41. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Opening balance	500,000	450,100
Current year subscription / fee	225,730	73,900
Amount paid - current year	(33,000)	(24,000)
	692,730	**500,000**

Material losses

Water	16,964,362	2,632,278
Electricity	3,968,528	1,991,107
	20,932,890	**4,623,385**

Audit fees

Opening balance	3,021,078	1,300,092
Current year subscription / fee	2,897,680	2,332,090
Amount paid - previous years	(2,000,000)	(611,104)
	3,918,758	**3,021,078**

PAYE and UIF

Amount paid - current year	5,425,223	4,999,211

Pension and Medical Aid Deductions

Amount paid - current year	10,910,798	11,351,645

VAT

VAT output payables and VAT input receivables are shown in note 17.

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

Notes to the Annual Financial Statements

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

Councillors' arrear consumer accounts

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

June 30, 2015	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
Masilo N G	207	-	207
Sepato T M	21	-	21
Mere M R	1,554	774	2,328
Thekiso S J	22	-	22
Motswana A K	26	-	26
Modisapodi J T	3	(161)	(158)
Lee M V	382	708	1,090
Mosebetsi G G	(199)	-	(199)
Stephen O M	187	-	187
Herbst C P	1,804	-	1,804
Strydom S D J	3,665	-	3,665
	7,672	**1,321**	**8,993**

June 30, 2014	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
RM Lee	336	-	336
OM Stephen	314	-	314
A Motswana	181	-	181
SDJ Strydom	4,563	-	4,563
KM Setshameko	79	-	79
LD Motlapele	363	-	363
KM Mere	94	-	94
MY Moyake	706	-	706
CP Herbst	1,240	-	1,240
NG Masilo	744	6,983	7,727
GG Mosebetsi	5,442	9,157	14,599
BT Thekiso	307	-	307
TM Sepato	197	-	197
	14,566	**16,140**	**30,706**